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HETCH HETCHY
WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103 • TEL. (415) 554-3155 • FAX (415) 554-3161



WILLIE L. BROWN, JR.
MAYOR

ANN MOLLER CAEN
PRESIDENT

E. DENNIS NORMANDY
VICE PRESIDENT

ASHOK KUMAR BHATT
JEFFREY A. CHEN
ROBERT J. COSTELLO

PATRICIA E. MARTEL
GENERAL MANAGER

NOTICE OF CANCELLATION

The Public Hearing to consider amending the Rules of Order of the San Francisco Public Utilities Commission scheduled for Tuesday, January 14, 2003, has been cancelled.

Mary Y. Jung
Secretary

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

REGULAR MEETING

January 14, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

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COMMISSIONERS

The Honorable Ann Moller Caen, President
The Honorable E. Dennis Normandy, Vice President
The Honorable Ashok Kumar Bhatt
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



Disability Access

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Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

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Lobbyist Registration and Reporting Requirements

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ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - a) Minutes of the December 18, 2002 Special Meeting
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
 - a) Proposition P Oversight Committee Update (Martel)
8. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

9. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

a) Staff Recommendation: Accept work performed for Contract No. WD-2313, Existing Fence Replacement/Upgrades in Alameda and San Mateo Counties, for a total contract amount of \$397,115, and authorize final payment of \$10,385.75 to Acaba Construction.

REGULAR BUSINESS

10. Discussion and possible action related to Mr. Everett M. Hintze. (Martel)

Staff Recommendation: Approve resolution commemorating and honoring the life and achievements of Mr. Everett M. Hintze, Capital Program Manager of the Utilities Engineering Bureau.

11. Discussion and possible action related to Northern and Coastal California Water Bond Coalition. (Arena)

Staff Recommendation: Approve resolution supporting the Northern and Coastal California Water Bond Coalition and authorize staff to participate in Coalition activities.

12. Discussion and possible action related to modifying SFPUC emergency procedures. (Maiolini)

Staff Recommendation: Authorize the General Manager of Public Utilities to implement a SFPUC staff proposal to modify SFPUC procedure for obtaining approval for construction contract work exceeding \$250,000. Rescind the current procedure (serial approval) of first obtaining a SFPUC ratification of emergency before obtaining a Board of Supervisors approval of the expenditure; implement a new procedure of simultaneously requesting the approvals of the SFPUC and the Board of Supervisors.

CONSTRUCTION CONTRACTS

Close

13. Discussion and possible action related to Contract No. CW-209. (Maiolini)

Staff Recommendation: Accept work performed for Contract No. CW-209, Union/Kearny Streets Sewer Replacement, approve Modification No. 2, decreasing the contract by \$85,160.95, for a total contract amount of \$1,107,809.05, (and with a time extension of 135 consecutive calendar days for a total contract duration of 255 consecutive calendar days) and authorize final payment of \$82,669.78 to JMB Construction, Inc.

14. Discussion and possible action related to Contract No. CW-285. (Maiolini)

Staff Recommendation: Accept work performed for Contract No. CW-285, Perry Street Sewer Replacement, approve Modification No. 1 (Final), increasing the contract by \$106,137, for a total contract amount of \$431,027, (and with a time extension of 276 consecutive calendar days for a total contract duration of 318 consecutive calendar days) and authorize final payment of \$138,626 to JMB Construction, Inc.

PROFESSIONAL SERVICE CONTRACTS

Award

15. Discussion and possible action related to contract for risk management consultants. (Okereke)

Staff Recommendation: Authorize the General Manager of Public Utilities to negotiate and execute a contract with R.W. Beck, in an amount not to exceed \$300,000, to assist the SFPUC with the implementation of an entity-wide risk management program consistent with the January 8, 2002 Commission-adopted resolution.

CLOSED SESSION

16. Public comments on matters to be discussed in Closed Session.
17. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS
THE FOLLOWING ITEMS:

18. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Furman)

Existing Litigation: City and County of San Francisco v. Turlock Irrigation District,
San Francisco Superior Court No. 323717.

19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Furman)

Existing Litigation: City and County of San Francisco v. Modesto Irrigation District,
San Francisco Superior Court No. 323848.

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Milstein/Lee)

Existing Litigation: California Trout v. CCSF, et al., Administrative Petition at the
State Water Resources Control Board.

21. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(c):
(Mueller)

Anticipated Litigation: As Plaintiff
Regarding long-term power purchase contracts.

22. Threat to Public Services or Facilities (Government Code Section 54957): (Clayton)

Consultation with: Sheriff Michael Hennessey concerning security of SFPUC Water
and Power Systems.

23. Conference with Legal Counsel – Threatened Litigation under Endangered Species Act in
November 14, 2002 letter from the National Marine Fisheries Service to City Attorney
Joshua Milstein concerning Pilarcitos Creek Steelhead Fishery – Pursuant to Government
Code Section 54956.9(b) (3) (C), a copy of which is on file with the Commission. (Milstein)

24. Conference with Real Property Negotiator – Pursuant to Government Code Section 54956.8:
(Clayton)

Property:	Crystal Springs Golf Course
Parties Negotiating:	CCSF (Dowd)
	Crystal Springs Golf Course
Under Negotiation:	Price and Terms

25. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clayton)

Existing Litigation:	Jean Ostrander & Kemper Insurance vs. The City and County of San Francisco, Claim No. 02-02398
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26. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clayton)

Existing Litigation:	Kin Wong, Claim No. 03-01476
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FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL
RECONVENE IN PUBLIC SESSION.

27. Announcement following Closed Session.

28. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 4th Floor
San Francisco, CA 94103



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

SPECIAL MEETING

February 5, 2003
1:30 P.M.
1155 Market Street
Room #402

COMMISSIONERS

The Honorable Ann Moller Caen, President
The Honorable E. Dennis Normandy, Vice President
The Honorable Ashok Kumar Bhatt
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
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Water Quality

Patricia E. Martel
GENERAL MANAGER

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ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

SPECIAL ORDER OF BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2003-2004. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 4th Floor, San Francisco, CA 94103).

Staff Recommendation: For discussion only. This item is proposed for continuance to February 11, 2003 at 1:30 P.M., in Room 400, City Hall and February 18, 2003 at 1:30 P.M., in Room 402, 1155 Market Street.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 4th Floor
San Francisco, CA 94103



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

January 14, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable Ann Moller Caen, President
The Honorable E. Dennis Normandy, Vice President
The Honorable Ashok Kumar Bhatt
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

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DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
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Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:35 P.M.
2. Roll Call: Present – President Ann Moller Caen, Vice President E. Dennis Normandy, Commissioner Ashok K. Bhatt, Commissioner Robert J. Costello

Commissioner Jeffrey A. Chen arrived after Roll Call at 1:40 P.M.

3. Approval of Minutes

Moved by Vice President Normandy, seconded by Commissioner Costello, to adopt the Minutes of the December 18, 2002 Special Meeting as amended; passed (4-0) unanimously.

4. Communications

No action taken.

5. Old/Ongoing Business by Commissioners

Commissioner Bhatt raised the issue of desalination.

Ms. Patricia E. Martel, General Manager of Public Utilities, stated that background desalination materials and information on the Santa Barbara desalination project had been provided to the Commission in December. She noted that a report with more detailed information is scheduled for the end of January.

Commissioner Chen arrived at 1:40 P.M.

Commissioner Costello stated he raised the Santa Barbara issue because he was directly involved with the project and recalled it is the only place in California that has one.

Ms. Martel stated that the information provided on the Santa Barbara project was secured by SFPUC Federal Liaison Darryl Owen and contained an updated analysis of the project. She further commented that SFPUC is still having discussions with East Bay Municipal Utilities District (EBMUD) and Alameda County Water District (ACWD) on the potential for a joint desalination project. In December, Ms. Martel and the general managers from EBMUD and ACWD went to Sacramento to talk with legislative representatives about the Hayward Intertie Project and also potential funding from the State Water Bond Proposition 50 for a

regional desalination project. When information is developed on this potential, it will be shared with the Commission.

Vice President Normandy requested that focus be placed on the Learning/Archival Center in the coming months. He stressed the historical importance of archival preservation and documenting what will be done in the coming years.

President Caen inquired about the status of the cogeneration facility based on information in the Odor Control Program Quarterly Report.

Bill Keaney, Manager of Water Pollution Control, stated the cogeneration system has been online for some months. Problems with the gas supply to the engine resulted in additional venting of gas. Measures have been taken to alter the operation of the gas system. This solved part of the problem but not all of it. Operation procedures have been changed, but other fixes need to be made. He stated they are working with the Utilities Engineering Bureau and Hetch Hetchy Water & Power to alleviate the problem.

6. Introduction of New Business by Commissioners

Vice President Normandy requested the General Manager contact new supervisors Fiona Ma and Bevan Dufty to set up an introductory meeting with them. Ms. Martel stated she would set up the meetings.

7. Report of the General Manager

a) Proposition P Oversight Committee

Ms. Martel reported on proceeding with establishing advisory committees resulting from the passage of propositions in November. Letters were sent out regarding Proposition P requesting appointments be made. One letter of response has been received. The Mayor's Finance Director advised Ms. Martel that the Mayor has been soliciting nominees from key staff members with skills appropriate for the Bond Oversight Committee. As bonds will not be issued in the next year, the committee needs designated members but is not as critical as other committees. The Rate Review Board is the critical committee. It needs to be put in place because the rate review study is proceeding and the committee will need to review the results of the initial study on wastewater issues and a later study on water rates. Ms. Martel stated she intends on presenting a resolution at the next meeting to proceed with initiating the Rate Review Board. Ms. Martel will be meeting with Supervisor Ammiano's staff regarding the Citizen's Advisory Committee regarding its membership and structure. The resulting proposal will be presented to the Commission. She summarized that identifying and appointing members for all the committees would be dealt with over the next 60 days.

8. Public Comments on matters not on today's agenda.

There were none.

CONSENT CALENDAR

9. Moved by Vice President Normandy, seconded by Commissioner Bhatt, to adopt the items listed under the Consent Calendar; passed (5-0) unanimously.
 - a) Resolution No. 03-0001: Accept work performed for Contract No. WD-2313, Existing Fence Replacement/Upgrades in Alameda and San Mateo Counties, for a total contract amount of \$397,115, and authorize final payment of \$10,385.75 to Acaba Construction.

REGULAR CALENDAR

10. Discussion and possible action related to Mr. Everett M. Hintze.

Ms. Martel acknowledged the dedication, skills, depth of knowledge and commitment Mr. Everett Hintze gave to the SFPUC and the City and County of San Francisco during his 39 years of service. She stated it was an honor to approve and present the resolution to his family members. She announced the memorial service was scheduled for January 25 at 10:30 AM in the Green Room at War Memorial.

Mr. Don Miller, Mr. Hintze's cousin, thanked the Commission for presenting the resolution to the family and acknowledging the scope of Mr. Hintze's work. He stated the family looked forward to the attendance of SFPUC staff at the memorial service and corrected that it had been rescheduled to Friday, January 24.

Moved by President Caen, seconded by Commissioner Costello to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0002: Approve resolution commemorating and honoring the life and achievements of Mr. Everett M. Hintze, Capital Program Manager of the Utilities Engineering Bureau.

11. Discussion and possible action related to Northern and Coastal California Water Bond Coalition.

Ms. Suzanne Arena, Manager of Government Affairs, stated during the past year 100 water agencies and jurisdictions in Northern and Coastal California have been meeting regularly to discuss possible areas of cooperation and coalition building to

empower their communication to the legislature and funding agencies regarding bond fund needs for Northern and Coastal California. Over 100 agencies have adopted official resolutions supporting the coalition. Its goal is to work collectively, rather than separately on projects so the legislature understands how projects fit together.

Ms. Martel added her endorsement to the item, stating SFPUC needs to work in coalition with others regarding water and to work regionally for the collective good of all the customers.

Vice President Normandy stated his belief that the Commission is unified in wanting to work as a member of a larger region and in coalition with others.

Moved by Vice President Normandy, seconded by Commissioner Bhatt to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0003: Approve resolution supporting the Northern and Coastal California Water Bond Coalition and authorize staff to participate in Coalition activities.

Item 12 was continued to another meeting.

12. Discussion and possible action related to modifying SFPUC emergency procedures.

Staff Recommendation: Authorize the General Manager of Public Utilities to implement a SFPUC staff proposal to modify SFPUC procedure for obtaining approval for construction contract work exceeding \$250,000. Rescind the current procedure (serial approval) of first obtaining a SFPUC ratification of emergency before obtaining a Board of Supervisors approval of the expenditure; implement a new procedure of simultaneously requesting the approvals of the SFPUC and the Board of Supervisors.

CONSTRUCTION CONTRACTS

Close

13. Discussion and possible action related to Contract No. CW-209.

Moved by Vice President Normandy, seconded by Commissioner Costello to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0004: Accept work performed for Contract No. CW-209, Union/Kearny Streets Sewer Replacement, approve Modification No. 2, decreasing the contract by \$85,160.95, for a total contract amount of \$1,107,809.05, (and with a time extension of 135 consecutive calendar days for a total contract duration of 255 consecutive calendar days) and authorize final payment of \$82,669.78 to JMB Construction, Inc.

14. Discussion and possible action related to Contract No. CW-285.

Moved by Vice President Normandy, seconded by Commissioner Chen to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0005: Accept work performed for Contract No. CW-285, Perry Street Sewer Replacement, approve Modification No. 1 (Final), increasing the contract by \$106,137, for a total contract amount of \$431,027, (and with a time extension of 276 consecutive calendar days for a total contract duration of 318 consecutive calendar days) and authorize final payment of \$138,626 to JMB Construction, Inc.

PROFESSIONAL SERVICE CONTRACTS

Award

15. Discussion and possible action related to contract for risk management consultants.

Mr. Kingsley Okereke, Director of Financial Services, made the points that the process deliberately took time as risk management is new to SFPUC and that they wanted to build some internal capacities before proceeding with the contract. These efforts were taken to be able to effectively implement whatever recommendations the consultant will be making.

Vice President Normandy inquired if \$300,000 was sufficient. Mr. Okereke stated it was sufficient.

Commissioner Costello asked what the time element for the \$300,000 was. Mr. Okereke stated there is no time frame because there are several phases to the project. The initial assessment will be fast, but the implementation will take time. No cap will be placed on the time in the interest of doing a good job.

Moved by Commissioner Bhatt, seconded by Commissioner Chen to adopt the following resolution; passed (5-0) unanimously.

Resolution No 03-0006: Authorize the General Manager of Public Utilities to negotiate and execute a contract with R.W. Beck, in an amount not to exceed \$300,000, to assist the SFPUC with the implementation of an entity-wide risk management program consistent with the January 8, 2002 Commission-adopted resolution.

Ms. Martel asked for concurrence from President Caen to allow adding a report that wasn't ready when the agenda was prepared. She asked Eric Sandler to update the Commission on the bond refinancing.

Mr. Eric Sandler, Director of Financial Planning, reported on today's timely and successful pricing of the Clean Water refunding bonds. The bond issue was \$396 million. The winning bid group bid a true interest cost of 3.95%, an extraordinary interest rate that resulted in \$32.7 million savings to the sewer enterprise. Connected with the refunding, the credit rating agencies of Moody's and Standard & Poor's reaffirmed SFPUC ratings and removed SFPUC from negative credit watch and negative outlook. On all counts the transaction was very successful.

Ms. Martel acknowledged and commended to the Commission Mr. Sandler and Ms. Karol Ostberg for their diligent work and facilitation abilities on the bond issue.

Vice President Normandy requested that the success of this negotiation and SFPUC stewardship practices be communicated to ratepayers, citizens, public and city officials.

Ms. Martel stated a press release would be released. Furthermore, she acknowledged that the approval of Proposition E by San Francisco voters enhanced the bond rating and affected today's results. Equally, she credited Supervisor Tom Ammiano for his efforts on Proposition E and the reform it brings to SFPUC in facing issues.

CLOSED SESSION

16. Public comments on matters to be discussed in Closed Session.

There were none.

17. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Vice President Normandy, seconded by Commissioner Chen, to assert the attorney-client privilege; passed (5-0) unanimously.

The Commission recessed at 2:15 P.M.

The Public Utilities Commission met in Closed Session at 2:27 P.M. to discuss the following matters in this order: 22, 19, 18, 21, 25, 26, 23, 20, 24.

22. Threat to Public Services or Facilities (Government Code Section 54957):
(Clayton) (Continued from the December 18, 2002 Special Meeting.

Present were President Caen, Vice President Normandy, Commissioner Bhatt, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E, Martel, Public Utilities Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Acting Assistant General Manager of Operations Cheryl Davis, SFPUC Program Manager of Water Supply & Treatment Paul Mazza, SFPUC Manager of Water Quality Andrew DeGraca, SFPUC Utilities Engineering Bureau Civil Engineer David Quinones, SFPUC Utilities Engineering Bureau Kate Read, SFPUC Emergency Planning Coordinator John Rodgers, Sheriff Deputy D. Novak, Lawrence Livermore National Laboratory Project Coordinator Nina Rosenberg, and Lawrence Livermore National Laboratory Project Planning Coordinator Richard Woodward.

Consultation with: Sheriff Michael Hennessey concerning security of
SFPUC Water and Power Systems.

No action was taken.

19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Furman) (Continued from the December 18, 2002 Special Meeting.

Present were President Caen, Vice President Normandy, Commissioner Bhatt, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E, Martel, Public Utilities Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Assistant General Manager of Power Policy Ed Smeloff, Deputy City Attorney Donn Furman, and Deputy City Attorney Jonathan Lee.

Existing Litigation: City and County of San Francisco v. Modesto Irrigation
District, San Francisco Superior Court No. 323848.

Moved by President Caen, seconded by Commissioner Costello, to adopt the following resolution; passed (5-0) unanimously.
Resolution No. 03-0007

18. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Furman) (Continued from the December 18, 2002 Special Meeting.)

Present were President Caen, Vice President Normandy, Commissioner Bhatt, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E,

Martel, Public Utilities Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Assistant General Manager of Power Policy Ed Smeloff, Deputy City Attorney Donn Furman, and Deputy City Attorney Jonathan Lee.

Existing Litigation: City and County of San Francisco v. Turlock Irrigation District, San Francisco Superior Court No. 323717.

No action was taken.

21. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(c): (Mueller)

Present were President Caen, Vice President Normandy, Commissioner Bhatt, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E, Martel, Public Utilities Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Assistant General Manager of Power Policy Ed Smeloff, and Deputy City Attorney Theresa Mueller.

Anticipated Litigation: As Plaintiff
Regarding long-term power purchase contracts.

No action was taken.

25. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Caen, Vice President Normandy, Commissioner Bhatt, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E, Martel, Public Utilities Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Existing Litigation: Jean Ostrander & Kemper Insurance vs. The City and County of San Francisco, Claim No. 02-02398

Moved by Vice President Normandy, seconded by Commissioner Chen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0008

26. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Caen, Vice President Normandy, Commissioner Bhatt, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E, Martel, Public Utilities Counsel Vicki Clayton, Commission Secretary Mary Y. Jung,

Existing Litigation: Kin Wong, Claim No. 03-01476

Moved by President Caen, seconded by Commissioner Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0009

23. Conference with Legal Counsel – Threatened Litigation under Endangered Species Act in November 14, 2002 letter from the National Marine Fisheries Service to City Attorney Joshua Milstein concerning Pilarcitos Creek Steelhead Fishery – Pursuant to Government Code Section 54956.9(b) (3) (C), a copy of which is on file with the Commission. (Milstein) (Continued from the December 18, 2002 Special Meeting.

Present were President Caen, Vice President Normandy, Commissioner Bhatt, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E, Martel, Public Utilities Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, and Deputy City Attorney Joshua Milstein.

No action was taken.

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Milstein/Lee) (Continued from the December 18, 2002 Special Meeting.

Existing Litigation: California Trout v. CCSF, et al., Administrative Petition at the State Water Resources Control Board.

Nothing was discussed.

24. Conference with Real Property Negotiator – Pursuant to Government Code Section 54956.8: (Clayton)

Present were President Caen, Vice President Normandy, Commissioner Bhatt, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E, Martel, Public Utilities Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, and SFPUC Real Estate Services Director Gary Dowd.

Property: Crystal Springs Golf Course

Parties Negotiating: CCSF (Dowd)

Crystal Springs Golf Course

Under Negotiation: Price and Terms

No action was taken.

Following the Closed Session, the Commission reconvened in open session at 3:41 P.M.

27. Announcement following Closed Session.

President Caen announced the actions taken during Closed Session.

28. Motion regarding whether to disclose the discussions during Closed Session.

No motion was made.

Public Comment:

Mr. Emeric Kalman, City resident, inquired why Item 22 was under Closed Session and not on the Regular Agenda and why only the Sheriff's Office was represented on a matter which clearly warrants the input of all safety-related City Departments.

Ms. Vicki Clayton, Legal Counsel, stated the Brown Act determines that one law enforcement representative must be present during discussion of a security item. Also, due to the sensitive nature of the discussion, the item had to be calendared under Closed Session.

Thereupon, the meeting was adjourned: 3:44 P.M.

Mary Y. Jung
Secretary



WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103 • TEL. (415) 554-3155 • FAX (415) 554-3161



WILLIE L. BROWN, JR.
MAYOR

ANN MOLLER CAEN
PRESIDENT

E. DENNIS NORMANDY
VICE PRESIDENT

ASHOK KUMAR BHATT
JEFFREY A. CHEN
ROBERT J. COSTELLO

PATRICIA E. MARTEL
GENERAL MANAGER

NOTICE OF PUBLIC HEARINGS

Notice is hereby given that the San Francisco Public Utilities Commission will conduct public hearings on the Operating and Capital Budgets for the enterprises and bureaus of the San Francisco Public Utilities Commission for FY 2003-2004 on the following dates. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 4th Floor, San Francisco, CA 94103).

Tuesday, January 28, 2003 – 1:30 P.M.

City Hall, Room 400, 1 Dr. Carlton B. Goodlett Place, San Francisco, California

Wednesday, February 5, 2003 – 1:30 P.M.

1155 Market Street, Room 402, San Francisco, California

Tuesday, February 11, 2003 – 1:30 P.M.

City Hall, Room 400, 1 Dr. Carlton B. Goodlett Place, San Francisco, California

Tuesday, February 18, 2003 – 1:30 P.M.

1155 Market Street, Room 402, San Francisco, California

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

REGULAR MEETING

January 28, 2003
1:30 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

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COMMISSIONERS

The Honorable Ann Moller Caen, President
The Honorable E. Dennis Normandy, Vice President
The Honorable Ashok Kumar Bhatt
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300, fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Discussion and possible action relating to the election of President and Vice President
4. Approval of Minutes
 - a) Minutes of the January 14, 2003 Regular Meeting
5. Communications
6. Old/Ongoing Business by Commissioners
7. Introduction of New Business by Commissioners
8. Report of the General Manager
 - a) Lake Merced Update (Carlin)
9. Bay Area Water Users Association (BAWUA) General Manager's Report
 - a) Value-Added Resources (Jensen)
10. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.
11. Motion regarding whether to disclose the discussions during Closed Session for the regular meeting of January 14, 2003.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

12. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.
- a) Staff Recommendation: Award Contract No. CW-331, Diamond / Jersey / Vicksburg Streets Sewer Replacement in the amount of \$249,805 to Harty Pipelines, Inc.

REGULAR BUSINESS

13. Discussion and possible action related to CS-662. (Maiolini)
- Staff Recommendation: Approve a transfer of funds, in the amount of \$3,000,000 from CS-662, SEWPCP Solids Handling Upgrade Design Project No. CENMSCSP06, to the Clean Water Comprehensive Planning Project No. CENMSCSP04.
14. Discussion and possible action related to Southeast solar power plant. (Smeloff)
- Staff Recommendation: Authorize the General Manager of Public Utilities to issue and advertise a Request For Proposals to undertake the design and construction of a solar power plant at the SFPUC's Southeast Water Pollution Control Plant. This is the second installation in the City's Solar Energy Program. Funds for this installation are budgeted in a capital project under the Mayor's Energy Conservation Account, and the funds will be reimbursed through the issuance of the Solar Program revenue bonds.

15. Discussion and possible action related to Rate Fairness Board. (Martel)

Staff Recommendation: Establish a Rate Fairness Board in accordance with the provisions of Proposition E (Charter Section 8B.125) approved by the voters November 5, 2002.

16. Discussion and possible action related to City of Pleasanton request for purchase of land. (Dowd)

Staff Recommendation: Discussion and possible action regarding a proposal by the City of Pleasanton to purchase a 3.2 acre parcel of land (aka the Civic Center Parcel) owned by the City and County of San Francisco under the jurisdiction of the San Francisco Public Utilities Commission and appraised at \$3,485,000 for the sum of \$500,000.

17. Public Hearing to consider budget proposals for the Operating Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2003-2004. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 4th Floor, San Francisco, CA 94103.) (Martel)

Staff Recommendation: For discussion only.

PROFESSIONAL SERVICE CONTRACTS

Award

18. Discussion and possible action related to CS-699A through CS-699I. (Davis)

Staff Recommendation: Authorize the General Manager of Public Utilities to award, negotiate and execute Agreement Nos. CS-699A through CS-699I to Camp Dresser & McKee, Montgomery Watson Harza, Weiss Associates, OCC/WRE, URS, Kennedy Jenks, RMC, Tetra Tech and Malcolm Pirnie to provide planning, development, analysis, and technical assistance services on an as-needed basis to assist and supplement the work of Water Supply and Treatment Division staff in various projects for a total budgeted amount not to exceed \$4,000,000 and a duration of three years.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

January 28, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

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COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:37 P.M.
2. Roll Call: Present – President Ann Moller Caen, Vice President E. Dennis Normandy, Commissioner Ashok K. Bhatt, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello
3. Discussion and possible action relating to the election of President and Vice President

President Caen outlined the many accomplishments of the Commission during her 16 months as President as follows: (1) approved the Capital Improvement Program (CIP) and voters passed Proposition A (\$1.6 billion bond issue to improve the Hetch Hetchy system); (2) approved the Long Term Strategic Plan; (3) passed Proposition B – the solar energy bond; (3) prepared Energy Resource Plan; (4) revised power contract with Modesto Irrigation District; (5) refinanced debt of the Clean Water Enterprise achieving \$33 million in net present value savings; (6) moved to develop four power plants in San Francisco; (7) approved Alternative E of the Bay Area Ridge Trail; (8) dismantled San Francisco Water Alliance and reconstituted it as Water Infrastructure Partners; (9) announced East Bay Municipal Utilities District Intertie; (10) affected rise in water level at Lake Merced; (11) Recycled water plan with San Bruno and Daly City; (12) adopted Risk Management framework; (13) organized energy fairs, which benefited thousands of residents; (14) moved forward on bottled water project; and (15) hired Pat Martel as the new General Manager.

She thanked fellow Commissioners for their help and guidance, staff, BAWUA, and the Commission Secretary for her support and assistance during her presidency.

President Caen called for nominations for President and Vice President. Commissioner Costello nominated Vice President Normandy for President and Commissioner Bhatt for Vice President. There were no other nominations. Commissioner Chen seconded. The Commission unanimously elected Vice President Normandy for President and Commissioner Bhatt for Vice President.

President Caen turned the gavel over to newly elected President Normandy.

President Normandy presented outgoing President Ann Moller Caen with a floral arrangement in appreciation for her leadership during her term as President of the Public Utilities Commission from September 13, 2001 to January 28, 2003.

4. Approval of Minutes

Moved by Commissioner Costello, seconded by Vice President Bhatt, to adopt the Minutes of the January 14, 2003 Regular Meeting as amended; passed (5-0) unanimously.

5. Communications

No action taken.

6. Old/Ongoing Business by Commissioners

Commissioner Caen inquired about the cover letter for the audited financial statements. Mr. Bill Berry, Assistant General Manager of Business Services, stated the management letter comments are in draft form and a final version is expected in February.

Commissioner Caen asked when the solar bonds are going to be issued. Mr. Berry stated there was no date set. *Commissioner Caen requested staff give a date.*

Vice President Bhatt thanked staff for the desalination report and suggested that a San Francisco study be done due to the City's recent years of water shortage.

President Normandy referred to the recent press report on the finding of Department of Public Works' archival photos and the need to establish an SFPUC archival learning center to preserve its past history and document its present and future developments.

Ms. Patricia E. Martel, General Manager of Public Utilities, responded that SFPUC has begun the process of identifying photographic resources, that City Distribution Division is digitizing historical photographs, and that a full inventory of photos needs to be done.

7. Introduction of New Business by Commissioners

Vice President Bhatt requested that SFPUC's achievements as noted by Commissioner Caen be placed in the Annual Report. The report should include past accomplishments, future follow-up, and include successes from the State and Federal level. He also requested a listing of all the oversight committees created as a result of the November 2002 election by the next regular meeting. This list should include the number of members, the appointing authority, length of terms, jurisdiction, etc.

Ms. Martel stated staff would comply with both requests, but at this date there is only one nominee for the committees. When membership lists are complete, they will be given to the Commission.

President Normandy assigned responsibilities to the individual Commissioners based on their skill sets: Commissioner Caen – Finance, Vice President Bhatt – Minority Contracts and Neighborhood Communities, Commissioner Chen – Real Estate and Asset Management, and Commissioner Costello – Power Issues.

8. Report of the General Manager

Ms. Martel advised the Commission that the annual Suburban Advisory Group meeting was scheduled for January 29. The agenda covers next year's plan and priorities, the vision of implementing the CIP, implementation of the legislative requirements, internal progress with CIP staffing issues, working with Program Management Consultant, and an overview of financial projections and revenue requirements. This year's meeting will reflect a new partnership with the wholesale customers and their potential as investors in the SFPUC system and involvement in implementing the CIP.

a) Lake Merced Update

Mr. Michael Carlin, Manager of Bureau of Systems & Strategic Planning, reported on two developments in the last month: 1) Seawater intrusion wells are currently being drilled on the San Francisco side and would be complete within the next 10 days, and 2) Operations is working with the cities of San Bruno and South San Francisco to deliver supplemental water enabling them to turn off wells. Agreements have been made, timing and dates are being established, and monitoring devices are in place to collect information when the wells are turned off. The data collected will show how the aquifer is responding. The information will be presented in the near future.

Commissioner Costello inquired on the present level of the lake. Mr. Carlin stated it is approximately 19-20 feet and that the ideal level adopted by SFPUC resolution is 24-26 feet.

President Normandy requested that General Manager reports to the Commission include a one-page executive summary of what will be reported and that the summary be received in Commissioner's packets prior to meetings.

President Normandy inquired if the communities working with Lake Merced had been advised on the progress made. Mr. Carlin stated they were on the agenda for this week's Lake Merced Task Force to update them on last quarter's progress.

Public Comment:

Mr. Emeric Kalman, San Francisco resident, referred to a SFPUC document and asked if the statement "the historical watershed of Lake Merced has shrunk from 6,300 acres to 600" was accurate.

Mr. Carlin stated it was an accurate figure, explaining a watershed is delineated by water flowing into a central location—in this case, Lake Merced. Development in the Sunset, Richmond, and Daly City diverted water away from the Lake where it once percolated into the groundwater aquifer. The diminishing surface flow has resulted in the reduction of the watershed from 6,300 acres to 600.

Mr. Kalman stated he thought a state of emergency should be declared and that there should be a report detailing a plan if there is a real emergency and breakdown of the water system.

President Normandy responded that a declaration of emergency related to Lake Merced had been made by the Commission and actions to improve the situation have been taken in the last 5-6 years. He stated there are existing documents and plans in the event there is an emergency and that the Master Plan factors in many City departments.

9. Bay Area Water Users Association (BAWUA) General Manager's Report

a) Value-Added Resources

Mr. Art Jensen, General Manager of BAWUA, thanked President Caen for her leadership. He reported BAWUA is in the process of selecting professional outside services in two areas: finance and engineering.

Financial services are being sought for the wholesale customers to better understand their participation in the finance authority, how capital funding will affect them, and the best way to work with SFPUC. He stated BAWUA looks forward to working with SFPUC staff on the joint financing and that they want to be prepared to enter into the agreements and keep the capital project fueled.

Engineering services are being sought to assist in understanding the CIP as members want to have an understanding and confidence that the programs and projects are what should be funded. Currently, the projects are at a conceptual/planning level and will undergo refinement. BAWUA wants to participate constructively in that process. Engineering services are not for critiquing, replicating, second-guessing or out-engineering SFPUC work.

Mr. Jensen stated BAWUA's intent is to make the best use of their resources and to participate in the discussion as to how BAWUA can contribute from their side, mentioning that it might be more cost effective to invest in regional solutions to certain problems, and that they could provide that interface. He stated Ms. Martel recognized that there would be a need to interface with individual agencies on some projects. BAWUA's interest is to help the process go smoothly.

Mr. Jensen concluded his report stating he and Ms. Martel have had some initial discussions about the finance authority and the logistics for the first meeting.

BAWUA agencies have begun making their appointments to the authority and a roster will be provided to the Commission.

10. Public Comments on matters not on today's agenda.

Mr. Steve Lawrence, San Francisco resident, spoke briefly to the CIP stating some citizens were in opposition to Proposition A. He indicated they wished the City their best in implementing the program and that they want to expeditiously work with the City at the least amount of cost and most benefit to the City on this matter. He presented a letter to the Commission detailing his ideas on how to accomplish this.

President Normandy responded that Mr. Lawrence's letter contained ongoing matters. *He requested the General Manager and staff maintain contact with him and continue to provide answers to his questions.*

Mr. Kalman inquired on two matters: 1) the building for the Herb Caen Children's Education Center and its status with Recreation & Park Department (RPD) and SFPUC, and 2) giving away water to Daly City by charging 35 cents per unit, when it is \$1.46 per unit in the City.

President Normandy responded that SFPUC is coordinating with RPD, but no decisions have been made beyond the fact of wanting to establish a learning and archival center. Regarding selling water to Daly City, he stated it was not a special rate deal but a negotiated agreement to decrease the water usage out of Lake Merced and the neighboring wells.

11. Motion regarding whether to disclose the discussions during Closed Session for the regular meeting of January 14, 2003.

Moved by Commissioner Chen, seconded by Vice President Bhatt, not to disclose the discussions during Closed Session; passed (5-0) unanimously.

CONSENT CALENDAR

12. Moved by Commissioner Costello, seconded by Commissioner Caen, to adopt item (a) listed under the Consent Calendar; passed (5-0) unanimously.

- a) Resolution No. 03-0010: Award Contract No. CW-331, Diamond / Jersey / Vicksburg Streets Sewer Replacement in the amount of \$249,805 to Harty Pipelines, Inc.

REGULAR CALENDAR

13. Discussion and possible action related to CS-662.

Moved by Commissioner Caen, seconded by Vice President Bhatt to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0011: Approve a transfer of funds, in the amount of \$3,000,000 from CS-662, SEWPCP Solids Handling Upgrade Design Project No. CENMSCSP06, to the Clean Water Comprehensive Planning Project No. CENMSCSP04.

14. Discussion and possible action related to Southeast solar power plant.

Mr. Ed Smeloff, Assistant General Manager of Power Policy, stated the project was both solar and energy-efficient. The Southeast plant will reduce the City's demand for fossil fuel technology, thereby reducing the emission of greenhouse gases. It will increase energy from renewable technologies and continue the greening-up process of SFPUC facilities. The project will demonstrate to the solar industry that San Francisco is committed to the technology for the long-term and is a growing market, thereby driving down the cost for solar. The Southeast site is one of the best in the City with twice as much solar radiation as the Richmond. The installation will go on buildings #40 and #41.

Vice President Bhatt asked about the California Public Utilities Commission (CPUC) buyout. Mr. Smeloff responded the funds are already collected through PG&E's rates and authorized by CPUC. The funds are in the budget and available to SFPUC. Due to certain limitations, the funds need to be subscribed to as soon as the bids are received.

Vice President Bhatt asked if there was funding for the total budget of the project. Mr. Smeloff responded there is a limitation of up to 1 megawatt in size for the Self-Generation Program. The Southeast project is under the limit at 300 kilowatts. SFPUC could apply for Self-Generation funds if there was a second project later in the year and still be under the cap.

Commissioner Caen asked for clarification on the Mayor's Energy Conservation Account (MECA) payment. Mr. Smeloff stated the funds were budgeted as part of the Hetch Hetchy Water & Power (HHWP) budget. The Mayor set aside and the Commission approved \$10 million for MECA. The source of revenues is HHWP. It has been budgeted and has gone through the Capital Improvement Advisory Committee with \$2.4 million set aside for solar. Needed funds to build the project will be allocated out of that amount minus the buy down. A long-term agreement with the Clean Water Department will be set up to get those monies paid back and to allow for the development of other energy-efficiency or renewable projects.

Public Comment:

Mr. Kalman stated he heard that MECA is \$10 million. He wanted to know if this was correct because the item stated \$25 million. Mr. Smeloff stated the amount that was budgeted for 2002-03 was \$10 million and for 2001-02 was \$15 million, totaling \$25 million for MECA over the two years.

Mr. Kalman asked how long it would take to complete the project and how much it costs to produce the energy per kilowatt hour. Mr. Smeloff stated that after the lengthy City approval and permit process, the Moscone construction would take 14 weeks. The price for each kilowatt hour after the buy down is 14 cents a kilowatt hour. He stated this price is above market, but is part of a larger strategy to build, demand and bring the price down and make it commercially competitive.

Moved by Commissioner Costello seconded by Vice President Bhatt to adopt the following resolution; passed (4-0) unanimously. Commissioner Chen was excused.

Resolution No. 03-0012: Authorize the General Manager of Public Utilities to issue and advertise a Request For Proposals to undertake the design and construction of a solar power plant at the SFPUC's Southeast Water Pollution Control Plant. This is the second installation in the City's Solar Energy Program. Funds for this installation are budgeted in a capital project under the Mayor's Energy Conservation Account, and the funds will be reimbursed through the issuance of the Solar Program revenue bonds.

Commissioner Chen was excused at 2:25 P.M. and returned at 2:32 P.M.

15. Discussion and possible action related to Rate Fairness Board.

Mr. Berry, Assistant General Manager of Business Services, stated the Rate Fairness Board (RFB) will review rate proposals and studies and make recommendations to the Commission with respect to rates. This went into effect on January 2, 2003 with respect to the Clean Water Enterprise (CWE). The RFB will be comprised of 7 members: 3 senior City staff and 4 others appointed by the Mayor and Board of Supervisors to represent residential customers and large and small commercial customers.

Commissioner Caen asked if Proposition E did away with the rate freeze, referring to the last paragraph on page 1 of the item. Mr. Berry stated Proposition E did away with the Proposition H rate freeze with respect to the Clean Water Enterprise as of January 3, 2003; however, it continues the rate freeze with the Water Enterprise until the end of Proposition H, which is July 1, 2006.

President Normandy inquired about the second "Resolved" of the resolution which assigns the Commission Secretary to act as liaison with the RFB. He asked Commission Secretary Mary Jung if she could serve as liaison to the RFB. Mr. Berry explained the intention of the liaison's role was to cover the public notification process for meetings that would result from rate increase proposals once a year between April and June. Ms. Jung stated it should be fine.

Ms. Martel clarified that the Commission Secretary's liaison role was solely for the purpose of notification of meetings and distribution of agenda materials for noticed meetings. A General Manager's staff member is assigned to do administrative support and preparation of materials for the RFB.

President Normandy requested the City Attorney provide edited verbiage for that part of the resolution to make it clear that the Commission Secretary is responsible for notification and calendaring and that information requests will be handled by the General Manager's staff. Ms. Vicki Clayton, Legal Counsel, stated she would provide language.

Moved by Commissioner Costello, seconded by Vice President Bhatt to adopt the following resolution as amended; passed (5-0) unanimously.

Staff Recommendation: Establish a Rate Fairness Board in accordance with the provisions of Proposition E (Charter Section 8B.125) approved by the voters November 5, 2002.

16. Discussion and possible action related to City of Pleasanton request for purchase of land.

Mr. Gary Dowd, Director of Real Estate Services, stated the item deals with a request from the City of Pleasanton to sell a parcel of land for \$500,000. Upon receipt of the request, an independent appraisal was performed on the parcel totaling \$3,485,000. He stated letters supporting the transfer from Mayor Willie Brown were attached.

President Normandy stated the materials were clear, but commented that proper stewardship of the agency's finances required taking staff's recommendation and selling the parcel at 90% of fair market value for \$3 million, not for \$500,000.

Commissioner Chen asked if negotiations were to commence with the City of Pleasanton or if the 90% of fair market value was going to be the final number. Mr. Dowd stated it was his understanding that the City Charter allowed the SFPUC to sell at 90% of fair market value.

Commissioner Chen suggested that this be made clear to Pleasanton because of the possibility of them counter offering at \$2 million, for example. He urged being firm on the amount.

President Normandy inquired about the second "Resolved" of the resolution which assigns the Commission Secretary to act as liaison with the RFB. He asked Commission Secretary Mary Jung if she could serve as liaison to the RFB. Mr. Berry explained the intention of the liaison's role was to cover the public notification process for meetings that would result from rate increase proposals once a year between April and June. Ms. Jung stated it should be fine.

Ms. Martel clarified that the Commission Secretary's liaison role was solely for the purpose of notification of meetings and distribution of agenda materials for noticed meetings. A General Manager's staff member is assigned to do administrative support and preparation of materials for the RFB.

President Normandy requested the City Attorney provide edited verbiage for that part of the resolution to make it clear that the Commission Secretary is responsible for notification and calendaring and that information requests will be handled by the General Manager's staff. Ms. Vicki Clayton, Legal Counsel, stated she would provide language.

Moved by Commissioner Costello, seconded by Vice President Bhatt to adopt the following resolution as amended; passed (5-0) unanimously.

Resolution No. 03-0013: Establish a Rate Fairness Board in accordance with the provisions of Proposition E (Charter Section 8B.125) approved by the voters November 5, 2002.

16. Discussion and possible action related to City of Pleasanton request for purchase of land.

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Commissioner Chen suggested that this be made clear to Pleasanton because of the possibility of them counter offering at \$2 million, for example. He urged being firm on the amount.

Commissioner Costello stated he supported 90% of fair market value.

Vice President Bhatt stated he was not in favor of 90% of fair market value. He referred to Mayor Brown's letters saying that the Commission should accept the \$500,000 or negotiate. He opposed the sale at \$3 million.

Commissioner Caen stated "the \$500,000 is part of a deal that never came to be." She stated the letters, etc., are a moot issue and that 90% fair market value is a fair deal for Pleasanton.

Commissioner Costello concurred that it was a moot question.

President Normandy stated it was not practical or feasible for the SFPUC to give away a property valued at \$3.5 million for \$500,000. Based on hard economic times and the City budget, he felt the Commission's fiscal responsibility was to go with the staff recommendation. He commented that although there was an agreement in general terms between mayors in the past, circumstances had changed to render the previous terms moot.

Public Comment:

Mr. Michael Roush, City Attorney for City of Pleasanton, presented Pleasanton's perspective on the sale of the 3-acre parcel for \$500,000. He provided historical background on the Alameda County property held by San Francisco since the 1930's. He stated negotiations started in the mid-80's and continued in the 1990's between the City and County of San Francisco (CCSF) and Pleasanton, resulting in an agreement consummated Spring 1998. The agreement contained deal points (principles of agreement)—one being the sale of the 3-acre property to Pleasanton for \$500,000.

A bond measure was placed on the Pleasanton ballot regarding purchase of the 500 acres for \$100 million. A term sheet was developed and endorsed by the Commission regarding the sale of the property for \$500,000. The bond measure did not pass, and further negotiations occurred between the two cities. CCSF received a bid from Green Briar Homes for \$126 million. Pleasanton's City Council approved this, but upon the condition that the 3 acres would be sold to Pleasanton for \$500,000. This issue has been in front of the Commission for 2 years and since the SFPUC received the \$126 million, they want the Commission to let Pleasanton buy the 3 acres for \$500,000.

President Normandy stated the Commission had been advised by legal counsel that the term sheet items were in fact negated upon defeat of the bond measure and upon conclusion of the deal to sell the property. Per staff and counsel of the City Attorney's Office, the Commission was advised to support staff's recommendation. At this point, he called for the question.

Moved by Commissioner Costello, seconded by Commissioner Caen to adopt the following resolution; passed (4-1). Vice President Bhatt voted no.

Resolution No. 03-0014: Discussion and possible action regarding a proposal by the City of Pleasanton to purchase a 3.2 acre parcel of land (aka the Civic Center Parcel) owned by the City and County of San Francisco under the jurisdiction of the San Francisco Public Utilities Commission and appraised at \$3,485,000 for the sum of \$500,000.

President Normandy called the Agenda out of order, taking Item 18 before Item 17. He asked Commissioner Caen to chair Item 17 as it dealt with the Budget.

PROFESSIONAL SERVICE CONTRACTS

Award

18. Discussion and possible action related to CS-699A through CS-699I.

Moved by Vice President Bhatt, seconded by Commissioner Chen to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0015: Authorize the General Manager of Public Utilities to award, negotiate and execute Agreement Nos. CS-699A through CS-699I to Camp Dresser & McKee, Montgomery Watson Harza, Weiss Associates, OCC/WRE, URS, Kennedy Jenks, RMC, Tetra Tech and Malcolm Pirnie to provide planning, development, analysis, and technical assistance services on an as-needed basis to assist and supplement the work of Water Supply and Treatment Division staff in various projects for a total budgeted amount not to exceed \$4,000,000 and a duration of three years.

President Normandy called for a 5-minute recess.

The Commission recessed at 2:53 P.M. and reconvened with the Regular Calendar at 3:08 P.M with Commissioner Caen at the gavel.

17. Public Hearing to consider budget proposals for the Operating Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2003-2004.

Staff Recommendation: For discussion only.

Commissioner Caen stated today was the introduction of the Operating Budget, announcing Ms. Martel would do the introduction and Mr. Berry would present the spreadsheet.

Ms. Martel introduced the FY 2004 operating budget, explaining that the fiscal condition of the City's General Fund (\$350 million deficit) was taken into account when producing this budget. Senior staff was instructed to keep this in mind when preparing their requests.

Mr. Berry provided a summary of the financial conditions based on budget proposals across the SFPUC enterprises and bureaus. He distributed the FY 2004 GM's Operating Budget Request Overview, showing the FY 2003 Approved Budget and the FY 2004 GM Recommendation. He reviewed the FY 2004 Enterprise Wide Summary covering the four enterprises of Hetchy Hetchy, Water Supply, City Distribution, and Clean Water and the ten bureaus of General Manager, BizServ Office, Financial Services, Information Technology Services, Planning, Human Resource Services, Real Estate Services, Customer Service, Environmental Regulation Management and Water Quality.

Commissioner Caen inquired about the fund balance shown under Item VIII of the Summary, for a total of \$7,493,030. Mr. Berry stated the figure includes a rate increase and assumes the change in the fund balance is based on this.

Commissioner Caen asked why it was a negative number. Mr. Berry stated it would reduce the fund balance by \$7.5 million across the enterprises. He stated part of the issue was that there is greater cost than the 10% rate increase would cover and that the way to change this would be to either reduce the cost or increase the amount of revenue coming in.

Ms. Martel stated this concluded the overview of the financial details related to the budget proposals and that the budget process would unfold at the February 5 meeting when staff would make presentations and time would be spent going through the proposals. In addition, the coming week would address the CIP budget for the enterprises and the capital requests.

President Normandy made two requests: 1) that the Commission Secretary reschedule the Budget meetings to allow the Commission to conclude with the budget on February 11 and that the budget meeting time scheduled for February 18 and February 25 be replaced with other meeting times prior to February 11, and 2) that staff change nomenclature for the "Children's Learning Center" to "Archival Preservation and Historical Education Center" to more clearly define the project.

Commissioner Caen asked how the Commission could approve the budget without knowing the rate increase. Mr. Berry stated that this is done all the time. From a projection standpoint, the agency needs to make sure SFPUC reserves are

sufficient to cover the rate increase proposal that would be considered later on. SFPUC has done this in the past.

President Normandy stated a couple of scenarios could be constructed based on some premises of a rate increase. Mr. Berry stated it would be preferable to adopt a budget with a rate increase proposal in mind, recognizing that the proposal might change.

There being no further business to discuss, the meeting was adjourned at 3:39 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO Public Utilities Commission

2/5/03 Agenda SFPUC Commission

Willie L. Brown, Jr.
MAYOR

AGENDA

SPECIAL MEETING

February 5, 2003
1:30 P.M.
1155 Market Street
Room 402

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at

United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the

Ethics Commission at: 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

SPECIAL ORDER OF BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2003-2004. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 4th Floor, San Francisco, CA 94103).

Staff Recommendation: For discussion only. This item is proposed for continuance to February 11, 2003 at 1:30 P.M., in Room 400, City Hall and February 18, 2003 at 1:30 P.M., in Room 402, 1155 Market Street.

ADJOURNMENT

Location:

http://sfwater.org/detail.cfm/MC_ID/5/MSD_ID/19/MTO_ID/57/C_ID/1313

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

February 5, 2003
1:30 P.M.
1155 Market Street
Room #402

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



DOCUMENTS DEPT.

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ORDER OF BUSINESS:

1. Call to Order: 1:40 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Commissioner Ann Moller Caen, Commissioner Robert J. Costello

Excused - Vice President Ashok K. Bhatt, Commissioner Jeffrey A. Chen
3. Public Comments on matters not on today's agenda.

Public Comment:

Ms. Espanola Jackson, San Francisco resident and a member of Environmental Justice Advocates, asked if she could speak on the item on today's agenda. The Commissioners agreed to this and she proceeded to address the Commission regarding the impact of the SFPUC budget on the residents of Bayview/Hunters Point (BVHP).

She specifically expressed concern about the budget cuts and how they would impact her neighborhood. She reminded the audience about commitments made when the sewer plant was expanded. To date, none of the commitments have been met. At the time, a training program was promised for BVHP youth with a special bank account set up. The residents were not told that the expansion would include servicing the residents of Brisbane, Colma, and Daly City.

Ms. Jackson questioned the capacity of BVHP with the new development in Mission Bay. The plant was built in the 1970's and is old. Raw sewage runs down their streets—even without rain. Everyone in San Francisco flushes their toilets and the majority of it goes to BVHP. Again, she repeated that the residents were not informed about the 1 million plus sewer customers from outside of San Francisco. She noted that the cross-town tunnel was another promise made that was never acted upon.

She urged that BVHP be considered first when retrofitting the system. No cuts should be made that affect BVHP. She hoped that a committee could be set up to talk about solving these problems and stated she would like to be on it.

In closing, Ms. Jackson asked that she be allowed to go to the sewer plant with a key, be allowed to turn one knob so that no one would be able to flush (except the residents of BVHP), and then allow the rest of San Francisco to experience what is happening in her community.

Mr. Francisco Da Costa, San Francisco resident in the Southeast sector and a member of Environmental Justice Advocates, addressed the outfall problem in BVHP, where 80% of the secondary effluence goes by Islais Creek and into the bay. This includes the secondary effluence from 1.7 million other people.

He explained that over a year ago, three conduits were dug below the outfall which damaged it. He wanted the Commissioners to get an evaluation of what is being done about this outfall which flows into Islais Creek.

Mr. Da Costa pointed out that the San Francisco Port Authority is about to build a bridge called the Illinois Bridge. He thought the Commissioners should know the filings of this bridge will affect the outfall and should ask what precautions are going to be taken so that any filings and soil disturbances will not affect the outfall.

He suggested that the SFPUC look at ways to divert the secondary effluence into the ocean where it can be diffused in a much more efficient manner than into the bay. He noted that a lot of money was spent reviewing and evaluating the plans for the cross-town tunnel, only to have it shelved.

Mr. Da Costa asked that Mr. Toye Moses, Director of the Southeast Facility, give a history of the facility to the Commissioners. He also wants mitigation efforts made to benefit the community, especially the young people, who have paid heavily—some with their lives. He lamented the pollution caused by PG&E and diesel fuel and noted the stench of sewage in the area.

Mr. Andrew Bozeman also came forward to speak on behalf of the residents of BVHP and support the statements of Ms. Jackson and Mr. Da Costa. He stated that although San Francisco is a great city, the area of town on the other side of Cesar Chavez and 3rd Street tell a different story. The SFPUC has the power to change this. With the odor and pollution problems, the children of BVHP are suffering. These children are the future to making the City great again and their minds need to be nurtured and developed. BVHP is viewed as the armpit of the City, but it is fertile and if attention is paid to it, the benefits will be many.

Mr. David Hochschild, San Francisco resident and Executive Director of the Vote Solar Initiative, thanked the Commissioners and SFPUC staff for supporting the Moscone Solar Efficiency Project, a \$7.5 million project which will pay for itself within ten years. This is considered a national model, and the unveiling of the project brought national media attention. An organization was formed to help other cities implement solar efficiency projects and they have been contacted from cities throughout the U.S. In fact, the Hawaiian Legislature recently introduced a \$100 million solar efficiency bond.

He stated that every time demand for solar energy doubles worldwide, there is a price reduction of 20%. Solar power will help us wean our unhealthy dependency

on fossil fuels and help shut down the BVHP power plant. San Francisco is the leader in this—there is no leadership on a national level.

Mr. Craig Stevens, representing Solar Buzz, echoed Mr. Hochchild's comments. He gave an industry perspective, pointing out that the worldwide attention the Moscone project received will bring energy costs down by encouraging others to aggressively pursue solar power projects. He thanked the Commission for their work on solar power and urged for the continuation of such projects from an economic standpoint and clean energy rationale.

President Normandy thanked all the speakers and turned the gavel over to Commissioner Caen, who chaired the portion of the meeting regarding the Fiscal Year 2003-2004 Budget.

SPECIAL ORDER OF BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2003-2004.

Ms. Patricia E. Martel, General Manager of Public Utilities, started her presentation outlining the budget process schedule by using a PowerPoint presentation. She stated the Commission's schedule is the same as previous years and the process is expected to be completed within the next two weeks and transmitted to the Mayor's Office and the Controller's Office by February 21st. The Mayor expects to forward his budget to the Board of Supervisors (BOS) by May 1st, which is a month earlier than usual. Because of uncertainty with the State's budget and the impact it will have on the City's fiscal situation, more time is being allotted for scrutiny by the BOS. There may be extensive shifts in priorities. The BOS normally has about four to six weeks to review the budget. This change in the calendar will allow the BOS eight weeks before the beginning of the next fiscal year, July 1, 2003.

Ms. Martel next presented an organizational chart, whose revisions reflected the consolidating and streamlining of the new Engineering and Construction Department which will include the Capital Improvement Program (CIP) and future capital programs.

Ms. Martel asked Mr. William Berry, the Assistant General Manager of Business Services, to review the financial outlook for the three enterprises: Hetch Hetchy Water & Power (HHWP), Water Department (WD), and Clean Water Program (CWP). She explained this review would help provide a better understanding of how priorities were made by the enterprises and how the General Manager's Office evaluated the projects and the subsequent reductions made of the additional programs and services requested. All the budget proposals (whether in the proposed budget or not) are in the appendix of the budget binders. The

presentation today was based on the General Manager's recommendations and ample time was made available for questions and concerns.

Mr. Berry started by briefly reviewing the financial outlook for HHWP, comparing projections for this year and next year. He noted that the budget numbers included the new proposed projects and salary standardization (including 4% vacancy rate). For the WD, the comparison was between this year and the next three fiscal years. Staff is planning on bringing forward an item for the February 25th Regular Meeting regarding a supplemental appropriation to begin implementing the CIP. Most of the costs for the projects won't start until after next year, but there will be operational costs to support the CIP. This will change the ending fund balance for FY 2004 (\$55,739,000) and will reflect the supplemental appropriation.

Commissioner Caen asked why the amount would be in the Operating Budget. Mr. Berry explained that there are support positions that are necessary to carry out the CIP, but are not specifically project related (e.g., Human Resource Services, Communications, and Information Technology Services positions). These types of costs are usually expensed on an annual basis; they should not be financed with interest for 30 years.

Mr. Berry continued stating the WD is financially sound and staff is trying to grapple with providing the resources necessary to fund the CIP and the increased operating expenses.

Mr. Berry stated that the CWP outlook is more complicated. The chart he used illustrated how complying with Proposition H (Prop H) forced the enterprise to reduce the service provided. The budget was held down and because of increased costs, service declined. The proposals put forth are higher than can be afforded, but the passage of Proposition E in 2002 allows for a rate increase. In May 2002, the Commission approved a resolution that would allow rates to be raised by 12% if the SFPUC was successful on the November 2002 ballot. This 12% was predicated on no increase in service, just maintaining CWP financially through the Prop H period.

The proposals from CWP appear to increase service, but in reality, they only bring the level of service back to what it was before Prop H. Some requests made by CWP were rejected by the General Manager. At a later date, the Commissioners will be asked to raise rates effective July 1.

Two scenarios were briefly presented of different rate increase amounts—one proposing 10% and the other 15.25%. Mr. Berry asked the Commission to consider three factors when considering this budget: (1) the level of rate increases, (2) the fund balance level wanted, and (3) the level of increases and costs.

Mr. Berry concluded his presentation and asked for questions.

President Normandy offered overall conceptual direction to SFPUC staff, asking them to consider how operations will affect ratepayers and that SFPUC be as productive and effective as possible. *He asked that the considerations of the Southeast community and solar energy representatives who made public comment today be taken into account.*

Commissioner Caen requested Mr. Berry to prepare various scenarios of different rate hikes without going into double-digit rate increases and present them within the next two meetings.

Ms. Martel commented on President Normandy's remarks and stated that she appreciated his emphasis on context and effect and that consideration has been given to each submitted request and weighed on whether to include it or not to carry out SFPUC's prime mission while balancing the budget.

Ms. Martel, in reference to public comment from Ms. Jackson, explained that projects related to the sewer system were taken out of the CIP so that a Sewer System Master Plan (SSMP) could be developed. This SSMP will take about 18 to 24 months to develop and will result in a capital improvement program to address the needs and considerations of the residents of BVHP. Because of this, their specific concerns were not addressed in the current budget, but will be under the SSMP. She anticipates creating a Citizens Advisory Committee to help identify these needs and a plan to provide for them.

Ms. Martel also called attention to the Appendix, which contains all the proposals submitted by staff that were not rejected for inclusion in the budget, noting that any of these could be added to the budget.

Ms. Martel spoke about potential rate increases related to the CWP and she did not recommend returning to the level of service that was provided prior to Prop H in one year and raising rates accordingly. She wanted the public to be aware that the SFPUC is looking closely at the delicate balance between revenues and the maintenance and expansion of service and programs.

President Normandy commended the remarks by Ms. Martel, stating that he favored a transparent budget process with as much information available as possible, so that all views could be considered within the limitations of a balanced budget.

Commission Caen thanked President Normandy for his remarks and asked Mr. Berry to present the budget overview.

Mr. Berry started by pointing out a typo at the bottom on page 9 of the PowerPoint presentation. The Total Operating percentage near the bottom right hand corner should be "6.2%," not "46.2%."

Ms. Martel started with the new proposals from the General Managers Office. The Archival Preservation and Education Center request seeks seed funds for an assessment of the needs and potential costs to convert an unused SFPUC facility into an archival learning center. It would allow the SFPUC to locate in one specific place a variety of archival information, including the construction of the Hetch Hetchy system. It would also be used as a learning center to educate children about the water system and our natural resources. The amount requested is \$200,000 and would allow an assessment of the facility and create a more detailed project and budget.

Commissioner Caen asked about the original funding amount of \$1.36 million. Ms. Martel responded that the budget was reduced because she determined that much of the work can be done by in-house staff using already existing equipment. The work proposed will also help identify outside funding sources.

Commissioner Caen asked about the General Manager's other proposals—0 through 4. Ms. Martel replied that these are in the budget, but are not considered major proposals. She specifically brought up the Archival Center because there was a significant increase of an activity that did not previously exist.

President Normandy stated he thought the General Manager's reworking of the budget proposal for the Archival Center was excellent and practical. He noted the importance of preserving historical documents.

Mr. Michael Carlin, Manager of the Bureau of Systems and Strategic Planning (BSSP), explained the Bay-Delta (Cal-Fed) proposal, which will ensure representation of San Francisco's water supply reliability, water quality and fishery recovery interests in statewide programs by increasing SFPUC participation with various water and government entities. It will allow evaluation of other projects and its impact on our CIP.

Commissioner Caen and President Normandy both voiced the opinion that this was important and were glad it was included in the budget.

Ms. Martel pointed out BSSP's other proposal, \$90,000 to fund the SSMP, which will include outreach, community participation, and a technical review committee.

Ms. Cheryl Davis, Acting General Manager of Operations, presented the Operations programs. She started by reviewing the priorities of Operations, stating the following priorities: (1) Implementation and operation of new programs, such as chloramine conversion. She noted that the SFPUC has been active with many construction projects and that now that they are built, they need to be staffed and maintained, and (2) Preventive maintenance and support.

She continued by pointing out that the Watershed Management Plan (WMP) isn't funded to the amount it should be. She explained how Water Supply and

Treatment (WST) staff take advantage of project schedules by scheduling their maintenance projects that occur at the same time at the same site; a good example of this are the Priest Reservoir Bypass projects. A long listing of the new WST facilities was given for the East Bay, Harry Tracy, and West Bay Facilities. Ms. Davis talked about the importance of the Watershed Public Involvement Program and explained the need for the requested City Distribution Division (CDD) maintenance positions.

Commissioner Caen asked why there is a proposal that addresses overtime in HHWP(Proposal 12). Mr. Don Larramendy, Capitol Program Liaison, responded that an increase was needed in the powerhouses. This is tied to the MOUs which require 12 hour shifts, some of which is covered in overtime. Overtime is also allotted for emergency work that is not project funded and for costs associated with staff training.

Ms. Martel explained that the overtime issue in the MOU is the result of a grievance that was filed. The requirement stipulates that when a position is filled, the operator doesn't start performing the job the first day. There is an extensive on-the-job training period, so the position needs to be backfilled with staff to take on the full range of responsibilities during this time. This was not originally anticipated, but more of this will occur as staff are promoted or retire.

Commissioner Caen asked why this wasn't a line item in the budget. Mr. Larramendy explained that staff were instructed to present a zero-based budget this year and any change in a line could not be absorbed in another line.

Commissioner Caen asked if this would occur in other proposals. Ms. Martel answered that it would occur in the CWP, where positions would be backfilled during a training period.

Commissioner Caen asked for more details about Proposal 22. Mr. Joe Naras, Watershed Resources Manager, explained that the Ecological Resources Protection Restoration & Monitoring Project began last year as part of the Watershed Management Plan, and is related to fire management and recreation activities in the Watershed. The proposal continues the work that was funded last year as one-time only. It includes consultation with professional services not available on staff, such as entomologists and herbatologists. Project work includes reforestation, restoration of habitats, and monitoring of the ecological resources in the Watershed. One of the goals is to establish baseline data that shows the condition of the watershed now so it can be compared later as the work progresses, which is a general practice of natural resources management.

Commissioner Caen asked questions regarding the previous year's budget. Ms. Davis offered to come back to the February 6th meeting with a breakdown of last year and this year. Commissioner Caen also asked how much is allocated to the new Bay Area Ridge Trail (BART).

Mr. Naras explained that the amount requested is reduced from what is really needed for fire management and if the program isn't funded now, it is basically deferred until a later time. Ms. Davis stated that a commitment to environmental stewardship was made in the WMP and that the data collected is necessary for monitoring the health of the watershed.

Ms. Martel stated she was concerned with the BART budget when it was put forth to the Commission a year ago. Staff was asked to look at the budget again, paying attention to the fact that there were already ecological resources protection and restoration programs in place, and that instead of creating an exclusive high-cost budget, an alternative needed to be developed with incremental costs for the program based on the addition of BART.

Mr. Naras explained that the City Attorney had oftentimes said that the SFPUC lacks a defense because of lack of information. Without detailed information about the current state of the watersheds, it is difficult to defend restoring or removing what is perceived to be part of the natural habitat. Protection of the environment includes not only protection from use by the public, but also intrusions like PG&E and staff operations.

Ms. Davis continued with her presentation and touched briefly on the increased costs in hauling/disposal services, partial restoration of lost man-hours to the Department of Public Works (DPW), and a new Bureau of Environmental Regulations and Management (BERM) proposal to conduct a study on minimizing pollutants in storm water runoff. She also spoke about the security assessment being performed by Lawrence Livermore, the Cross Connection Control Program and Chloramine Implementation Program.

Public Comment:

Mr. Emeric Kalman, San Francisco resident, spoke about an article he read comparing water rates in major U.S. cities. San Francisco is near the bottom of the list and Albany, New York is at the top. He stated that whenever he asks staff about San Francisco's rates, he is continually told to look at how low the rates are compared to Contra Costa. He asked for a better comparison and asked for more efficiency in operations. He also brought up San Francisco Code 3.17, which established making additional revenue available for items and services that will improve the efficient operations of the department.

Commissioner Caen asked for a copy of the code and the article and asked Mr. Berry to look at it and reply to Mr. Kalman's questions.

Commissioner Caen called for a ten-minute recess at 3:20 P.M.

The meeting reconvened at 3:30 P.M.

Mr. Berry presented an overview of BizServ, the five units of the SFPUC he is responsible for. He explained that BizServ is the culmination of work done with his managers since May 2002 to develop a strategy and strategic view for improving service internally and externally.

The Internal Audits proposal will review and report on the reliability and integrity of information, regulatory compliance, internal controls and weaknesses. Mr. Berry also spoke about the Asset Management proposal which is a SFPUC-wide initiative which relates to maintaining infrastructure. The proposal seeks to inventory and value assets and to conduct assessments of the condition of the various assets. The Information Technology Strategic Plan also contains asset management, but the current proposal is for all operations.

Commissioner Caen asked for details on Proposal 55. Mr. Berry responded that this would be the BizServ Office. Currently, Mr. Berry is part of the General Manager's Office. This proposal would establish an administrative office under BizServ, which would also include five bureaus. The proposal basically takes his position and his secretary's position out of the General Manager's Office and moves them into a newly created administrative office. In addition, a new position is being requested, including money for travel and training.

Commissioner Caen inquired about the asset management proposal in Proposal 60. Mr. Carlos Jacobo, Financial Services Manager, replied that this is the same name for two different programs. Proposal 60 is now called "Facilities Planning" and is part of Real Estate Services. This is an SFPUC-wide assessment regarding space requirements of all SFPUC offices, warehouses and other facilities.

Commissioner Caen questioned the \$300,000 cost, which is part of Proposal 55. Ms. Martel clarified Mr. Berry's explanation about creating a separate office. She explained that in reviewing the budget last year, she noticed that all the Assistant General Managers, their support staff, and related costs associated with their respective roles and responsibilities for overseeing various bureaus and divisions were all under the General Manager's budget. This produced difficulty in determining which costs were specific to the General Manager's Office and which belonged to other divisions. This year's budget was restructured to reflect this separation of expenditures and would better reflect their roles and responsibilities.

Mr. Berry highlighted some requests from his five divisions.

- (1) Financial Services is the largest proposal, which will allow for the reorganization and augmentation of resources in the accounting unit. Seven new positions are requested and the proposal is expected to address the difficulty of getting audits completed on time last year and the situation where long-time accounting staff have not had opportunities for growth or promotional opportunities.

- 2) Human Resource Services has developed a proposal entitled "Executive and Leadership Training" which will provide managers and supervisors with the tools necessary for leadership, enhancement of staff accountability, staff recognition, and promoting efficient and effective work. A survey was conducted that showed morale needed improvement. This program is SFPUC-wide.
- 3) Real Estate Services is asking for \$150,000 to conduct a full analysis of SFPUC facilities, with respect to current and future space needs.
- 4) Customer Service is proposing a centralized call center for SFPUC-related calls from residential and business customers. A computerized tracking system would also be implemented. This would provide better service to customers by giving them only one number to call instead of ten and would also track complaints from beginning to end.
- 5) Information Technology Services originally asked for \$7.2 million. \$3.3 million was approved by the General Manager. Approximately \$1 million is for support and maintenance of the nearly completed SCADA system. GIS Development was reduced from \$2.7 million to \$650,000.

Ms. Martel noted that Customer Service is the number one priority and the first step is to develop staff and help them work more effectively within the organization. Proposals will be presented next year for external improvements for Customer Service.

Ms. Martel stated that if there were no questions on the budget recommendations, staff would present the capital requests at the next meeting for the operating divisions.

Commissioner Caen stated a desire to go through each tab in the binder. She started with Tab 2, line no. 009—premium pay, which increased 278%. Ms. Martel stated that this is an internal transfer relating to the Moccassin employees and their health plan. Since they have to buy their own health plans, money is reallocated to allow for this.

Commissioner Caen asked about line no.081PF and if it is the same as 081UH. Mr. Jacobo replied that this is the fuel purchased from central purchasing and covers all SFPUC vehicles. This allows a better price at the pump.

Commissioner Caen referred to Tab 4, line no. 028, Maintenance services, fuel oil polishing services. Mr. Jacobo replied that this is a reallocation of funds regarding the vehicle pumps at Lake Merced.

Commissioner Caen asked about the difference between line no. 025 and line no. 046, under Tab 5. Mr. Jacobo explained that 025 is for food at community functions

at the Southeast Community Facility and 046 is for snacks for training in-house staff.

Commissioner Caen asked about Tab 6, line no. 035. Mr. Jacobo stated this is another reallocation for printing costs and is considered a cost-saving measure.

Commissioner Caen asked about Tab 8, line no. 081UW, SFPUC Water. Mr. Jacobo explained this reflects the rate increase in water usage.

Commissioner Caen asked about Tab 9, line no. 045 Safety. Mr. Jacobo replied that it is for work gear for field staff as required by the MOUs; such as boots, safety glasses, helmets, etc. There is a substantial increase to \$34,000 this year (from \$5,000 last year) because of the anticipated increase in staff.

Commissioner Caen asked about Tab 18, line no. 030 Rents and Leases. Mr. Jacobo stated that this is the cost of moving Customer Service from 425 Mason to 1155 Market.

Commissioner Caen stated she noticed that every department has increased labor costs and wondered whether these positions would actually be filled. Mr. Jacobo answered that the budget reflects 4% standardization costs (as mandated) and that all new positions are reflected in the budget.

Commissioner Caen suggested that all Commissioners review all the proposals under Tab 16, which are the proposals not approved by the General Manager.

Staff Recommendation: For discussion only. This item is proposed for continuance to February 11, 2003 at 1:30 P.M., in Room 400, City Hall and February 18, 2003 at 1:30 P.M., in Room 402, 1155 Market Street.

Commissioner Caen returned the gavel to President Normandy.

President Normandy thanked Commissioner Caen for a job well done and continued the meeting to the following day, February 6, at City Hall.

There being no other business to discuss, the meeting was adjourned at 4:20 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO Public Utilities Commission

2/6/03 Agenda SFPUC Commission

Willie L. Brown, Jr.
MAYOR

AGENDA

SPECIAL MEETING

February 6, 2003
9:30 A.M.
City Hall, Room 416
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at

United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the

Ethics Commission at: 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

SPECIAL ORDER OF BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2003-2004. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 4th Floor, San Francisco, CA 94103).

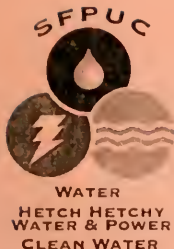
Staff Recommendation: For discussion only. This item is proposed for continuance to February 11, 2003 at 1:30 P.M., in Room 400, City Hall and February 18, 2003 at 1:30 P.M., in Room 402, 1155 Market Street.

ADJOURNMENT

Location:

http://sfwater.org/detail.cfm/MC_ID/5/MSD_ID/19/MTO_ID/57/C_ID/1353

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

February 6, 2003
9:30 A.M.
City Hall, Room 416
1 Dr. Carlton B. Goodlett Place

DOCUMENTS DEPT.

MAR 12 2003

COMMISSIONERS

SAN FRANCISCO
PUBLIC LIBRARY

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

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Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 9:43 A.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Ashok K. Bhatt, Commissioner Ann Moller Caen, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello
3. Public Comments:

Mr. John Ummel, Bay Area Water Users Association (BAWUA), spoke about the budget. He made three comments: (1) BAWUA is very supportive of SFPUC actions to rebuild and maintain the system. (2) Many of the new programs requested will better serve the system and its customers, such as the Internal Audit Program. (3) As a primary investor, BAWUA wants to understand the rationale and service impacts of the major proposals.

Mr. Ummel also made three observations about the budget process. (1) Although the quick turnaround time is beyond SFPUC's control, the shortened budget process puts a crimp on BAWUA's efforts to do a proper review. BAWUA submits questions every year, and this year the questions will be submitted after-the-fact. (2) BAWUA would like to see a "Reader's Digest" version of the budget document. This was on their wish list last year and will be on the list next year. (3) Before supporting new proposals in the budget, staff should be reporting on performance from previous years. Approval of programs should be dependent upon the departments meeting past performance goals. He gave three examples pulled from last year's budget, noting he wasn't citing any particular division: (a) Information Technology Services (ITS) implementation of an electronic document management system. The Commission approved \$350,000 in the current year—How is ITS doing in implementing this particular objective? (b) Planning Bureau has an objective to promote and develop water use efficiency programs with the wholesale customers—How is Planning doing on this? (c) One of Hetch Hetchy Water & Power's (HHWP) objectives is to develop and implement the San Joaquin Pipeline Repair Master Plan—Has this been done?

Mr. Ummel concluded his public comment with questions for staff from the February 5th budget hearing. (1) For Mr. Bill Berry, Assistant General Manager of Business Services, referencing Mr. Berry's statement regarding a healthy fund balance in Clean Water Program (CWP) (25% operating reserve)—He asked for an explanation regarding the prudence of the fund balance in keeping with other utility practices or the SFPUC's. (2) Also for Mr. Berry, in reference to his statement that the Water Department (WD) shows revenues will increase by about \$12 million, the amount needed to cover operating and maintenance (O&M) costs—Since Proposition H prohibits a rate increase on retail customers to cover O&M, how much of this amount is coming from the suburban purchasers or other

revenue sources? (3) For Ms. Patricia Martel, General Manager of Public Utilities, noting the new positions and reassignments of upper management, BAWUA is asking if the changes are being made concurrent with the organization evaluation study that was funded this year, or stated differently, "should any of the new proposals being entertained for next year be evaluated after this study is completed?"

President Normandy thanked Mr. Ummel for his remarks and asked Mr. Berry and Ms. Martel to answer the questions

Mr. Berry, in responding to the first question, stated that the fund balance for WD is appropriate at \$55 million. The Commission approved a 25% fund balance. O&M is expected to be \$140,000, so 25% of this would be \$35 million. The 25% level exceeds what is mandated.

With respect to Mr. Ummel's second question about the revenue increase, Mr. Berry agreed Mr. Ummel was correct and a rate increase is not projected for City customers. SFPUC does project an increase in revenue of about \$17 million from the suburban purchasers. Mr. Berry asked Mr. William Laws, Rate Manager, to work with Mr. Ummel regarding the details.

Mr. Patricia E. Martel, responded to Mr. Ummel's third question regarding new positions and reassignments. Ms. Martel explained that there were many more personnel requests from the different divisions in the SFPUC and that requests were granted on an immediate need basis. Senior and Executive staff were informed that once the performance assessment was completed, an evaluation would be made where additional staffing is required

President Normandy asked Ms. Martel if the changes implemented after the performance assessment would be much different than the reorganization chart presented at the February 5th budget hearing. Ms. Martel responded that there would be additional positions after the assessment.

President Normandy turned the gavel over the Commissioner Caen to chair the budget hearing.

SPECIAL ORDER OF BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2003-2004.

Commissioner Caen started the budget hearing by asking the Commissioners to look under Tab 16 and comment on any of the proposals. Seeing none, she asked for the follow-up information on Proposal 22 that was requested at the February 5th budget hearing.

Ms. Cheryl Davis, Acting Assistant General Manager of Operations, presented additional background information. Ms. Davis stated that the Commission approved a budget request in FY 2003-2004 for \$578,451. The majority of the funds are for habitat conservation planning and is only partial funding. More money will be needed for the habitat plans for the East Bay and Peninsula. This is all consistent with the Watershed Management Plan (WMP). There was approval of a one-time expense of \$125,000 for Ecological Protection and Monitoring, but this was a mistake and should have been for ongoing work. Ms. Davis noted that there are 60,000 acres on both sides of the watersheds. There are 40 miles of trails. Protective barriers and educational signage are needed.

Commissioner Caen asked for the dollar amount being used for the Bay Area Ridge Trail (BART).

Mr. Joe Naras, Watershed Resources Manager, described the Ridge Trail, outlining the need for three monitoring stations on Cahill Ridge. He noted that the work proposed would need to be done, regardless of the implementation of Alternative E. Monitoring and species protection is required more and more. He explained the necessity of having good data on the current state of habitats and how it would allow the SFPUC to defend itself when requests are made for species protection. He stated that if reports were available on what species currently reside in the watersheds, SFPUC would be able to answer the various government and environmental agencies when they ask for protection.

Commissioner Caen stated that the Commission is very concerned with the environment and she is not questioning the amount requested for this proposal, but would like to know how much of the proposal is specifically for the BART. Ms. Davis offered to come back with additional information at the next meeting.

Commissioner Caen asked about the training proposal, Proposal 59, and whether or not this should wait until the performance assessment. Mr. Berry replied there would always be a need for training at the various levels throughout the organization.

Ms. Martel responded that she observed that the public holds SFPUC management responsible for the overall performance of the agency and that there was concern as to whether staff had the proper training to carry out their jobs and implement the CIP. There was also conflicting opinion from the employee bargaining units which felt that staff didn't need training. After observing the agency and after working with an executive recruiter, it was noted that senior staff needs more exposure to the wider range of responsibilities that are necessary to perform at the executive level. Only by providing the managers with the tools they need to perform their jobs would they be able to be held accountable for performance. The proposal would train four different levels of management.

President Normandy expressed concern that this is an item that can get lined out of the budget easily and that answers should be available when questioned at the budget meetings. Ms. Martel acknowledged this. Mr. Berry asked for as much support as possible and realizes this program will be difficult to sell.

President Normandy agreed with the importance of this proposal, and suggested that an abridged version of the budget be brought forward, outlining the challenges ahead of the SFPUC with the CIP and the steps necessary to ensuring its successful implementation. Mr. Berry agreed to work on a better rationale for presenting this proposal and information is already being pulled together and will be sent to the Commissioners before it is sent to the Board of Supervisors.

Commissioner Chen noted that there are no solar energy projects in the proposed budget and asked about the status of the Proposition B and H Solar Energy Bonds. Ms. Martel answered that SFPUC is not in a position to issue bonds for solar projects at this time. Some of the projects were funded out of the Mayor's Energy Conservation Account (MECA), but that is money that was allocated from HHWP just for MECA projects. Before we can issue bonds to expand the program, a business plan will have to be put in place to allow a bond rating.

Mr. Ed Smeloff, Assistant General Manager of Power Policy, stated a process has been initiated within HHWP to put together a business plan—the first step in obtaining a credit rating. This could take as much as two years because of the issues related to the rate structure and the way surplus funds were used in the past. There are other sources for funding solar projects being explored, such as the California Power Authority. Efforts are also being made to leverage the funds in the MECA account with different grant funds available.

Commissioner Chen stated that Proposition B was passed by the voters with a clear mandate to go forward with solar projects and will look negatively at the SFPUC if there are delays. Solar projects should be a priority.

Ms. Martel responded that solar power is a priority and that staff has been looking for funds in HHWP to be able to begin some of the projects. Preparing a business plan and getting a credit rating depends on the financial condition of HHWP. Obligations such as the Calpine contract have made it difficult to move forward with identifying all the resources that could be made available. She further explained that she appreciates the comment about a voter mandate, but at the time the measures were placed on the ballot, the mechanics for carrying out this program had not been investigated fully. Nevertheless, the program will move ahead and Mr. Chen's direction is taken.

There being no further comments on the Operating Budget, Commissioner Caen proceeded with the Capital Budget.

Mr. Berry presented a summary of the Revenue Funded Projects for FY 2003-2004. The total amount of projects for Power, Regional Water, Other Water (Water Supply Master Plan - WSMP), Local Water, and Clean Water totals \$99,275,000.

Mr. Berry stated all the HHWP projects would be funded by current year annual revenues. With respect to the WD, some projects would be funded differently. In the past, some projects were funded with the monies raised from the sale of the Bernal Property. Since the passage of Proposition A, the CIP-related projects funded by the Bernal sale can now be defunded, and bond monies can be used in its place. The Clean Water Program (CWP) request is funded through a combination of Enterprise revenues (\$14.5 million) and a reallocation of inactive CWP Capital Projects (\$27.5 million).

Mr. Michael Carlin, Manager of the Bureau of Systems and Strategic Planning, called attention to three projects that are listed in the revenue-funded capital proposal. (1) The Clean Water Master Plan (CWMP) will create a new vision and a blueprint for the sewer system. It is still being studied the same way the HHWP system was studied for the CIP. (2) The East Bay MUD and SFPUC Intertie is now at a project level and cost sharing and operations agreements are being studied. Environmental documents have been drafted and a design consultant is being chosen. (3) The WSMP is a combination of revenues from local and regional water. It allows the development of new programs such as the Conjunctive Use Study being done in the Westside Basin with Daly City, San Bruno and San Francisco. A Recycled Water Master Plan, updated environmental document, and ground water issues will also be conducted under this plan.

President Normandy stated the 24-month period for developing the CWMP will seem like an eternity for the residents in the Southeast sector of the City and asked if it could be shortened. Mr. Carlin answered that the process will take a long time because input is being requested from throughout the City, not just the Southeast.

Commissioner Caen supported President Normandy and urged for a quicker turnaround time. Ms. Martel responded that to do the project right, 18 to 24 months will be needed. This is considered a one-time shot for years to come and it should be done right. President Normandy stated that staff should make every effort to shorten the time period.

Commissioner Caen asked for more information on the utility underground program.

Ms. Marla Jurosek, Director of Power Operations at HHWP, stated the program is part of a master settlement agreement that was reached in 1997 with PG&E. The SFPUC agreed to underground 42 miles within the City. PG&E, AT&T and other utilities would do their joint pole work and HHWP would fund the portion related to the street lights. The Department of Public Works (DPW) is doing the work and will

continue to do so until the 42 miles are completed. DPW is doing about 3 miles of undergrounding this year. SFPUC gives DPW about \$2.5 million for this, including streetlight conduits, poles, and new lights.

Commissioner Caen asked about the proposal for the Milbrae Building, under Regional Water. Ms. Davis answered that this was brought up to the Commission before and did not pass. The original proposal was for a seismic upgrade and roof and floor repair. The present proposal allows the improvement of the electrical infrastructure of the Milbrae Administration Building.

Commissioner Caen asked about the proposal "Renew Services and Meters" under local water, and noted that this is funded by developers. Mr. Jacobo answered that the revenues shown (\$2.1 million) are part of the WD revenues. It is appropriated to a project so the money can be spent.

Commissioner Caen asked the Secretary of the Commission to note that in looking at the projects, operational costs are being decreased; therefore, SFPUC will be saving money and decreasing the costs simply because SFPUC is averting failure. Passing these proposals and projects will decrease operational costs in the long run.

Commissioner Caen asked for additional comments. Seeing none, she passed the gavel back to President Normandy.

President Normandy thanked Commissioner Caen for raising the concerns of the Commission regarding the finances of the operation and for her comments on trade-offs made between the Operating and Capital budgets.

President Normandy requested staff pull together all of the elements presented in the last two days into a succinct executive summary by the next meeting on February 11. The summary in narrative format should contain an overview of why the budget is structured the way it is and why the Operating Budget and Capital Budget are being presented in the manner they are. He commented that a written statement that is comprehensible to whomever reads it and that defines the "big picture" and explains priorities would help the Commission in moving the budget forward and approving it.

President Normandy further remarked on the SFPUC inheriting the entire CWP from DPW and managing it for just a short time. He felt it was necessary to bring attention to the program and see the system as reliable. He expressed this was an essential point to be considered in presenting this budget.

President Normandy called for comments.

Mr. Berry stated that staff is working on Commissioner Caen's questions regarding the rate increases for CWP and they expect to send information out to the

Commissioners at the close of business on February 6th. This can be addressed again on February 11th.

Staff Recommendation: For discussion only. This item is proposed for continuance to February 11, 2003 at 1:30 P.M., in Room 400, City Hall and February 18, 2003 at 1:30 P.M., in Room 402, 1155 Market Street.

President Normandy entertained a motion to continue this meeting to the next meeting of February 11th at 1:30 at City Hall

The motion was moved by Commissioner Costello, seconded by Vice President Bhatt, and passed unanimously 5-0.

There being no further business to discuss, the meeting was adjourned at 11:18 A.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

DOCUMENTS DEPT.

REGULAR MEETING

FEB - 6 2003

February 11, 2003
1:30 P.M.

**SAN FRANCISCO
PUBLIC LIBRARY**

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

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Information Technology Services
Real Estate Services
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Utilities Engineering Bureau
Water Quality

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SECRETARY



Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300, fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - a) Minutes of the January 28, 2003 Regular Meeting
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
 - a) Legislative Meetings in Washington, D.C. Regarding CIP Implementation (Martel)
8. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

9. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.
- a) Staff Recommendation: Approve the plans and specifications for Contract No. HH-907, Hetch Hetchy Holm Powerhouse Generators 1 and 2 Rehabilitation, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
 - b) Staff Recommendation: Accept work performed for Contract No. CW-295, Clay and Sacramento Streets Sewer Rehabilitation, approve Modification No. 1 (Final) decreasing the contract by \$21,737 for a final contract amount of \$317,936 and increasing the contract duration by three (3) consecutive calendar days; and authorize final payment of \$31,793 to Pacific Liners.
 - c) Staff Recommendation: Accept work performed for Contract No. WD-2265, Washington Street 12" and 16" Ductile Iron Feeder Main Installation, for a final contract amount of \$744,136.20, and authorize final payment of \$14,000, and release of retention in the amount of \$36,506.81 to JMB Construction, Inc.
 - d) Staff Recommendation: Accept work performed for Contract No. WD-2339, Seismic Upgrade of Bay Division Pipelines (BDPL) Nos. 1 and 2 at the Hayward Fault Crossing – Phase A, for a final contract amount of \$3,905,131.92, and authorize final payment of \$44,689.63 to Mitchell Engineering.
 - e) Staff Recommendation: Accept work performed for Contract No. HH-895E, San Joaquin Pipeline No. 3 Emergency - Locate and Repair Corrosion, for a final contract amount of \$499,840.03, and authorize final payment of \$2,499.20, including release of retention, to Mendelian Construction Inc.
 - f) Staff Recommendation: Accept work performed for Contract No. HH-896E, San Joaquin Pipeline No. 3 Emergency - Locate and Repair Corrosion, for a final contract amount of \$2,254,930.21, and authorize final payment of \$44,431.41, including release of retention, to Mendelian Construction Inc.

REGULAR BUSINESS

10. Public Hearing – To consider adopting budget proposals for the Operating Budgets and Capital programs for the enterprises and bureaus under the jurisdiction of the Public Utilities Commission for Fiscal Year 2003-2004. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 4th Floor, San Francisco, CA 94103.) (Martel)

Staff Recommendation:

- a) Adopt the proposed Operating Budgets for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2003-2004.
- b) Adopt the proposed Capital Improvement Program for Hetch Hetchy Water & Power, Water, and Clean Water Enterprise for Fiscal Year 2003-2004.

11. Discussion and possible action related to modification of May 7, 2001 contract between Calpine Energy Services and the City & County of San Francisco. (Smeloff)

Staff Recommendation: Recommend that the Board of Supervisors authorize the General Manager of Public Utilities to execute an amended power contract with Calpine Energy Services (Amended Contract).

LEASES AND PERMITS

12. Discussion and possible action related to a revocable permit with the City of Mountain View. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a Revocable Permit to the City of Mountain View for a portion of San Francisco Public Utilities Commission land consisting of approximately 12,000 square feet to be utilized as a garden for the Mountain View Senior Citizen Center.

CLOSED SESSION

13. Public comments on matters to be discussed in Closed Session.
14. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

15. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Furman)

Existing Litigation: City and County of San Francisco v. Turlock Irrigation District,
San Francisco Superior Court No. 323717.

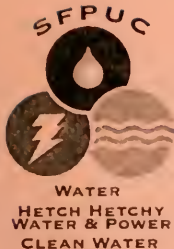
16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(c):
(Mueller)

Anticipated Litigation: As Plaintiff
Regarding long-term power purchase contracts.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

17. Announcement following Closed Session.
18. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

February 11, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

DOCUMENTS DEPT.

MAR 12 2003

COMMISSIONERS

SAN FRANCISCO
PUBLIC LIBRARY

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:36 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Ashok K. Bhatt, Commissioner Ann Moller Caen, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello

3. Approval of Minutes

Moved by Commissioner Costello, seconded by Vice President Bhatt, to adopt the Minutes of the January 28, 2003 Regular Meeting as revised; passed (5-0) unanimously.

4. Communications

No action taken.

5. Old/Ongoing Business by Commissioners

Vice President Bhatt advised the Commission that he appeared before the Rules Committee for a reappointment hearing on February 10. At the hearing, Supervisor Tony Hall expressed his concern about Lake Merced. *Vice President Bhatt requested that updates and expedited related issues on Lake Merced be forwarded to Supervisor Hall.*

President Normandy suggested that from this point on, the General Manager and staff updates provided to the Commission be forwarded to those Supervisors interested in Lake Merced.

President Normandy requested quarterly updates from staff on all the Capital Improvement Program (CIP) projects addressing which projects have been started, which are ongoing, timelines, and the status of funding for the projects.

6. Introduction of New Business by Commissioners

There was no new business introduced.

7. Report of the General Manager

- a) Legislative Meetings in Washington, D.C. Regarding CIP Implementation

Ms. Martel informed the Commission on the highlights of her trip to Washington, D.C. on February 3-4. She met with elected officials and federal agencies that SFPUC will be working with on CIP regulatory requirements and permitting. The

purpose was to introduce the CIP to them, to discuss how the agencies will be interacting with SFPUC and to ensure that SFPUC is prepared when the permitting process begins. The trip included meetings with the following people:

Craig Manson, Assistant Secretary with U.S. Fish and Wildlife (USFW). SFPUC will interface with USFW on the permitting process and environmental work. They spoke about the possibility of funding positions with USFW to ensure that SFPUC gets the highest level of attention for the 12 permits the CIP requires. Permits will be through USFW, U.S. Army Corps of Engineers (USACE) and National Marine Fisheries. Mr. Manson requested a summary for his staff from SFPUC staff on additional resources needed and details of permits. He offered a Sacramento contact for the SFPUC.

Representatives from Senator Barbara Boxer's and Congressman George Miller's office. Representatives were informed the bond measure was approved and an execution plan was being developed. Cal-Fed and how it will interface with the CIP was discussed with Representative Miller.

Laura Levinson, senior staff with Congresswoman Nancy Pelosi. Ms. Levinson has toured the Hetch Hetchy system with SFPUC staff and has a framework and understanding of its needs. She is interested in the relationship with Cal-Fed and its impacts. She supports the establishment of a Bay Area Water Coalition of Bay Area utilities working together regionally as an outgrowth of the Cal-Fed process.

Bennett Raley, Assistant Secretary of Interior for Cal-Fed. He was informed on the Cal-Fed process, the CIP and potential conflicts. He was familiar with the Restore Hetch Hetchy movement and made inquiries. He understood Northern California needs all its existing dams and that there is a need to build additional storage capability through Cal-Fed. He inquired about potential supply depletions on the Tuolumne, asking that if the Calaveras Dam were expanded, would it require more water and possibly exceed entitlement of the Tuolumne. Ms. Martel stated the Calaveras presently is not at full capacity, and at full capacity, does not exceed entitlement. No impact or depletion of the Tuolumne is foreseen.

Ted Rugell, Northwest Division Manager of Operations of the USACE. He offered a high level of cooperation and was interested in establishing a working relationship between SFPUC and USACE. They spoke of the mutual interest of funding positions with the USACE in San Francisco to aid with the permit process. He encouraged meeting with district staff in San Francisco that would be useful to SFPUC.

Staff of Senate and House Energy and Water Resources Committees. Staff is knowledgeable about the CIP if issues come up about Cal-Fed in the future. Senate staffers Shelly Bond and Patty Beneke were spoken to about reauthorizing legislation with USACE as Mr. Rugell indicated this would be necessary to fund positions with USACE as the Constitution does not allow any agency outside the

Federal government to fund positions. House staffers Josh Johnson and Steve Lanich were spoken with on the same subject.

Senator Feinstein and staff member John Watts. Ms. Martel thanked her for her support of the SFPUC during the last year, the CIP development and her endorsement of the water revenue bond. Senator Feinstein was encouraged that a CIP execution plan is being developed. She stated SFPUC would have no problems with federal agencies in the review and permit process as long as SFPUC does its job and produces high quality work.

Ms. Martel's agenda was organized by the office of SFPUC Washington Legislative Lobbyist Darryl Owen. Ms. Martel summarized that her legislative meetings in the company of Mr. Owen and SFPUC Manager for Government Affairs Suzanne Arena were very productive. She concluded her report informing the Commission that Mr. Owen would be giving his quarterly legislative update at the end of February.

President Normandy remarked the Washington D.C. connections were helpful. He stated it is important to communicate what the CIP is and to report on its progress on a regular basis. He recommended quarterly reports and that staff look into considering communications beyond SFPUC's "The Flow."

Ms. Martel stated she appreciated the direction provided and apprised the Commission that she and the Executive Leadership Team had a retreat last week. Its purpose was to put in place a high-functioning leadership team for the CIP and the day-to-day management of SFPUC. They worked on outlining an execution plan for the CIP and assigning responsibilities to each member to complete the plan. When the document is complete, it will be circulated to the Commission, SFPUC staff and BAWUA. She stated updates on the execution plan would be done on a quarterly basis.

8. Public Comments on matters not on today's agenda.

There were none.

CONSENT CALENDAR

9. Moved by Commissioner Caen, seconded by Commissioner Costello, to adopt the items (a-f) listed under the Consent Calendar; passed (5-0) unanimously.
- a) Resolution No. 03-0016: Approve the plans and specifications for Contract No. HH-907, Hetch Hetchy Holm Powerhouse Generators 1 and 2 Rehabilitation, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.

- b) Resolution No. 03-0017: Accept work performed for Contract No. CW-295, Clay and Sacramento Streets Sewer Rehabilitation, approve Modification No. 1 (Final) decreasing the contract by \$21,737 for a final contract amount of \$317,936 and increasing the contract duration by three (3) consecutive calendar days; and authorize final payment of \$31,793 to Pacific Liners.
- c) Resolution No. 03-0018: Accept work performed for Contract No. WD-2265, Washington Street 12" and 16" Ductile Iron Feeder Main Installation, for a final contract amount of \$744,136.20, and authorize final payment of \$14,000, and release of retention in the amount of \$36,506.81 to JMB Construction, Inc.
- d) Resolution No. 03-0019: Accept work performed for Contract No. WD-2339, Seismic Upgrade of Bay Division Pipelines (BDPL) Nos. 1 and 2 at the Hayward Fault Crossing – Phase A, for a final contract amount of \$3,905,131.92, and authorize final payment of \$44,689.63 to Mitchell Engineering.
- e) Resolution No. 03-0020: Accept work performed for Contract No. HH-895E, San Joaquin Pipeline No. 3 Emergency - Locate and Repair Corrosion, for a final contract amount of \$499,840.03, and authorize final payment of \$2,499.20, including release of retention, to Mendelian Construction Inc.
- f) Resolution No. 02-0021: Accept work performed for Contract No. HH-896E, San Joaquin Pipeline No. 3 Emergency - Locate and Repair Corrosion, for a final contract amount of \$2,254,930.21, and authorize final payment of \$44,431.41, including release of retention, to Mendelian Construction Inc.

President Normandy took the agenda out of order taking Closed Session before the Regular Calendar.

CLOSED SESSION

13. Public comments on matters to be discussed in Closed Session.

There were none.

14. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Chen, seconded by Vice President Bhatt, to assert the attorney-client privilege; passed (5-0) unanimously.

The Public Utilities Commission met in Closed Session at 2:15 P.M. to discuss the following matters:

15. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Furman)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, Public Utilities Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, Assistant General Manager of Power Policy Ed Smeloff, and Deputy City Attorney Donn Furman.

Existing Litigation: City and County of San Francisco v. Turlock Irrigation District, San Francisco Superior Court No. 323717.

Moved by Commissioner Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0022

16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(c): (Mueller)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, Public Utilities Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, Assistant General Manager of Power Policy Ed Smeloff, and Deputy City Attorney Theresa Mueller.

Anticipated Litigation: As Plaintiff
 Regarding long-term power purchase contracts.

No action was taken.

Following the Closed Session, the Commission reconvened in open session at 2:35 P.M.

17. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

18. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Bhatt, seconded by Commissioner Costello, not to disclose the discussions during Closed Session; passed (5-0) unanimously.

President Normandy called the Regular Calendar items in the following order: 11, 12, 10.

REGULAR CALENDAR

11. Discussion and possible action related to modification of May 7, 2001 contract between Calpine Energy Services and the City & County of San Francisco.

Mr. Ed Smeloff, Assistant General Manager of Power Policy, stated the amended contract with Calpine would reduce the price from \$75.25 to \$69.00 per megawatt hour. The resulting savings to Hetch Hetchy Water & Power (HHWP) and SFPUC would be \$16.5 million over the remaining term of the contract. The proposed amendment will change the scheduling of electricity delivered to HHWP over the next 3 years and 4 months. The schedule better matches the HHWP operations system. The original delivery was for 50 megawatts of power, 24 hours a day. The amended contract delivers power on a quarterly basis: First Quarter - 40 megawatts at all hours; Second Quarter - 30 megawatts at all hours; Third Quarter - 50 megawatts at all hours and 5 megawatts during peak hours; and Fourth Quarter - 60 megawatts at all hours and 15 megawatts during peak hours.

The amended contract commits Calpine and CCSF to work together to establish Tracy and Newark as the points where SFPUC delivers power to PG&E and that the delivery points be recognized by the California Independent System Operator. With the amended contract, CCSF agrees to waive the right under the existing agreement to file a claim against Calpine under the Federal Power Act 206, which allows parties to claim that rates are not just and reasonable. He stated it is a fair agreement and in the interest of both parties.

President Normandy asked for a statement from Mr. Smeloff that he and staff had taken the necessary due diligence steps of clearing the contract with the City Attorney's Office, the Mayor's Office of Economic Development and other interested parties. He inquired if there was any opposition.

Mr. Smeloff gave assurance that he'd received the necessary levels of approval. He worked closely negotiating with the City Attorney's Office and briefed the Mayor. He stated there was no opposition.

Moved by Commissioner Costello, seconded by Commissioner Chen to adopt the following resolution; passed (4-1). Commissioner Caen voted "no."

President Normandy asked if Commissioner Caen wanted to make a statement on her "nay" vote. She stated, "I don't feel the CCSF should waive their right to contest this contract." *President Normandy requested that Commissioner Caen's*

opinion be shared with the powers that be beyond the Commission that are to approve the contract.

Resolution No. 03-0023: Recommend that the Board of Supervisors authorize the General Manager of Public Utilities to execute an amended power contract with Calpine Energy Services (Amended Contract).

LEASES AND PERMITS

12. Discussion and possible action related to a revocable permit with the City of Mountain View.

Moved by Vice President Bhatt, seconded by Commissioner Caen to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0024: Authorize the General Manager of Public Utilities to execute a Revocable Permit to the City of Mountain View for a portion of San Francisco Public Utilities Commission land consisting of approximately 12,000 square feet to be utilized as a garden for the Mountain View Senior Citizen Center.

President Normandy turned the gavel over to Commissioner Caen to preside over the Finance portion of the meeting.

10. Public Hearing – To consider adopting budget proposals for the Operating Budgets and Capital programs for the enterprises and bureaus under the jurisdiction of the Public Utilities Commission for Fiscal Year 2003-2004.

Staff Recommendations: a) Adopt the proposed Operating Budgets for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2003-2004.

b) Adopt the proposed Capital Improvement Program for Hetch Hetchy Water & Power, Water, and Clean Water Enterprise for Fiscal Year 2003-2004.

Ms. Martel directed the Commissioners to the analysis requested by Commissioner Caen about rate increase alternatives for the Clean Water Program (CWP). She stated Mr. Berry, Assistant General Manager of Business Services, was available to answer questions on the document. Commissioner Caen asked Mr. Berry to go through the document.

Mr. Berry stated the February 7 memorandum addressed various scenarios with rate increases. It contained 3 moving parts: 1) level of rates for next year,

2) budget and level of expenditures, and 3) level of unappropriated fund balance. Mr. Berry presented CWP rate increase scenarios in chart format.

Commissioner Caen asked when a rate increase was expected. Mr. Berry stated based on the normal schedule and with the new Rate Fairness Board (RFB), a proposal would be presented to the RFB for review in April or May and it would come before the Commission and BOS in May or June.

President Normandy asked if a preference was made based on the economy and the ratepayers and if it would change the budget. Mr. Berry stated that the figures are all projections and there could be changes.

Vice President Bhatt stated he wasn't comfortable with raising rates by double digits. He approved of a 5-6% raise and encouraged investigating other solutions.

Ms. Martel stated the proposal presented reflects financial realities in the CWP and that it is justifiable and necessary for keeping the CWP operating at a safe and reliable level. A rate increase is necessary for the CWP operation.

Commissioner Caen called for public comment.

Public Comment:

Mr. John Ummel, Bay Area Water Users Association (BAWUA), stated they did not have sufficient time to review the SFPUC budget materials. He commented the budget increased 6% over last year because of \$24 million in new proposals. BAWUA's concern is that they pay for 35-66% on new proposals and their wholesale customers will be receiving a 22% rate increase in July. BAWUA recognizes the General Manager has reviewed and stripped costs on the budget, but they had questions.

After reviewing the budget, BAWUA expects to have about 20-50 questions for SFPUC staff to answer. They also had questions regarding the following three proposals: 1) #21 Watershed Public Involvement Program. He asked what the difference was between this and the 2001-02 Watershed Community Liaison Program proposal; 2) #57 Accounting Reorganization. He referred to a KPMG audit done on Finance and Accounting two years ago. The audit recommended revamping internal procedures, reclassifying personnel and training. He asked if Finance had looked at internal processes, procedures and concerns from the audit and fixed these areas before adding more staff; and 3) #68 GIS Development. He understood the Strategic Plan was part of the current 2002-03 budget and asked if a strategic plan was developed and used for developing this new proposal.

Mr. Joe Naras, Watershed Resources Manager, stated that proposal #21, as originally funded, did not pay for a number of costs related to the watershed and that a new proposal was put forward to augment the program as originally

envisioned. Items such as a van for the community liaison, materials and supplies, and items for the Ridge Trail volunteer work program and volunteer docent program were stripped from last year's budget and brought forth this year.

Mr. Berry stated, regarding proposal #57, that many recommendations from the KPMG audit in Finance and Accounting have been implemented, but not all of them in Accounting. The proposal deals with improving service provided by the Accounting staff which requires training staff. Mr. Berry offered to provide the plan to Mr. Ummel.

Mr. Berry stated, regarding proposal #68, that a more detailed strategic plan for GIS was done. The final report has just been received and could be provided to Mr. Ummel.

Commissioner Caen moved the discussion to the Operating Budget.

Ms. Martel stated that in addition to the rate increase information, the Commission wanted more detailed information on proposals #59 and #22 and a "Reader's Digest" version of the budget proposal prepared by staff.

Ms. Therese Madden, Director of Human Resource Services, provided materials to the Commission on proposal #59, Executive and Leadership Development. The \$400,000 proposal contained two options for training.

Commissioner Caen stated the Commission's position on the proposal was not one of questioning its need or value, rather concern about expending monies before there is feedback from the internal performance report. President Normandy concurred, stating there was vulnerability in moving it forward before the performance assessment has been done.

Commissioner Caen asked when the performance audit would be completed. Mr. Berry stated the proposal is out to bid and would not be complete until FY 2005, though there would be preliminary findings before then.

Commissioner Caen asked if it would be an option to do the alternative, or half of the program. President Normandy suggested maximizing the number of attendees.

Ms. Martel stated the proposal envisions executive and leadership training and doesn't include everyone in the organization. She felt as the manager of executives, it was critical to retain some portion of the training to provide skills to the organization's executives.

Commissioner Costello stated the problems are at the top level and that is where the training is needed, not at the lower level.

President Normandy asked if staff have been identified and selected.

Ms. Martel stated because the proposal isn't funded yet, it can't be implemented. She stated the selection process would be based on where the greatest needs and weaknesses exist. She envisioned it as a phase-in process in which all the team would benefit over the years.

President Normandy proposed a compromise of retaining the proposal and reducing it to \$150,000 and seeing what happens in a year. Supplemental funds could be sought later upon receipt of input from the performance assessment.

Commissioner Costello stated the program was of value and needed to get started. He seconded the motion.

Moved by President Normandy, seconded by Commissioner Costello; passed unanimously (5-0).

Mr. Naras addressed proposal #22, Ecological Resources Protection Restoration and Monitoring, and questions raised by Commissioner Caen at the last meeting. He distributed materials and briefly described and explained the projects.

Commissioner Caen inquired on the \$50,000 monitoring program for the Bay Area Ridge Trail. Mr. Naras stated all expenditures would be tracked through index codes in Finance and reported back to the Commission on a regular basis.

To address Commissioner Caen's previous question regarding funding in recent years, Ms. Martel stated the purpose of Mr. Naras' presentation on the watershed management programs was to portray the variety and continuing activities in the watershed. She explained that it appears there is redundant funding for projects, but it really represents ongoing expenses for the same program. Each year that funding is added, it appears to be a new proposal, but in reality, it is an incremental increase to an existing program.

Commissioner Caen asked if the Conservation Corps program is a line item in the budget. Mr. Naras stated it shows up under "Other Current Services" in the baseline budget, covering both the East Bay and San Francisco Conservation Corps.

Commissioner Caen asked if the Commission was willing to accept the amount of the proposal. President Normandy stated there wasn't a choice because it is essential to protect the watersheds and that certain things are mandated by the Department of Health Services. He felt the proposal couldn't be cut.

Ms. Martel emphasized there would be very specific tracking of funding that is allocated towards the implementation of Bay Area Ridge Trail and that by next year, there would be data to demonstrate all expenditures.

Commissioner Caen asked if there was any further discussion on the Operating Budget.

Commissioner Costello brought forth proposal #7 (72-77) inquiring if the City Shop Assistant Superintendent was a new position and if there was presently a higher position. Mr. Don Larramendy, Capital Program Liaison, stated there is a position that is a higher classification, but not within the SFPUC. The position is equivalent to the Assistant Superintendent of Central Shops in Purchasing. The intent is for an overall SFPUC fleet manager.

Commissioner Costello asked what the qualifications were. Mr. Larramendy stated it would be a promotional opportunity through Central Shops and was based on the maintenance of the fleet, requiring higher levels of responsibility.

Commissioner Costello inquired why the position was being added. Ms. Martel stated the position was added at her direction. The BOS raised numerous questions about the SFPUC fleet. It became obvious upon investigation that the SFPUC has no preventative maintenance program for its equipment or a policy for requesting and recycling vehicles. The purpose of the position is to bring implementation of a real fleet management program and create a tracking system to generate information about the fleet.

Commissioner Costello asked if it is a professional position or within the structure of the Civil Service Commission, inquiring if the next level position would be eligible. Mr. Larramendy stated it is Civil Service and the next level position would be eligible.

President Normandy stated it is a good idea to centralize the responsibility. He suggested the fleet manager not only be responsible for purchases, but also for maintenance and inventory as well. Ms. Martel stated the intent of the position is for accountability.

President Normandy asked to revisit both budgets on the rates for CWP to allow the Commission to indicate to staff their preferences before the rate decision is made in April.

Commissioner Caen asked for comments from the Commissioners.

President Normandy concurred with Vice President Bhatt that a double-digit increase would be difficult. He stated the scenarios of 8%, 5%, 4% or 9%, 4%, 3% over 3 years should be considered. Commissioner Chen concurred, stating focus on lengthening the time period and lowering the increase amounts per year should be considered. He suggested a 4-5% increase over 4-5 years would be more palatable to the ratepayers.

President Normandy stated the increase needed to take place over a 3-year time period.

Commissioner Caen inquired if there would be another Proposition H. Mr. Berry stated it was unlikely because getting an amendment on the ballot would require a significant number of signatures.

Commissioner Caen agreed that a single-digit increase seems more palatable. She suggested 9% and 8% increases over 2 years because these are projections.

President Normandy accepted 9% for the first year and stated the rate increase could be revisited next year.

Vice President Bhatt stated he wasn't comfortable with more than 6%.

This concluded the Commissioner's comments on the CPW rate increase.

Commissioner Caen opened the discussion on the Capital Budget. There were no specific questions raised from the last meeting.

Mr. Berry announced there was a proposed change in the HHWP revenue-funded budget. Mr. Carlos Jacobo, Financial Services Budget Manager, informed the Commission there was an increase in the budget related to the Mayor's Energy Conservation Account (MECA) and implementation of the program at Moscone. A \$2.9 million portion of funding to support the program for FY 2003 did not go in the budget. He stated there were other changes that would come before the Commission as supplemental appropriation and de-obligations at the next meeting.

Commissioner Caen asked if the \$2.9 million would be seen as revenue again. Mr. Jacobo stated it would through loans from the California Energy Commission and PG&E. The revenues would go into HHWP and be reappropriated back to the program.

President Normandy inquired if the reimbursements would be in the coming fiscal year. Mr. Jacobo stated \$2.5 million had been received in the current fiscal year and the remainder is anticipated by July 2003.

Commissioner Caen asked if there were any other issues.

Ms. Martel brought forth the Commission's request for a "Reader's Digest" version of the budget. The staff-prepared document concisely summarizes the details and the overview requested, the relation of the budget to SFPUC's mission and outlines priorities.

Mr. Berry stated it is a draft of an executive summary and would need updating to reflect the Commission's final action. He welcomed comments from the Commission.

President Normandy stated it was an excellent first draft but needed to be shortened. He stated that by overview, he wanted a discussion of why the SFPUC is doing what it is doing with the budget this year. *President Normandy requested another condensed draft of the executive summary, in which a case is made for why the budget decisions have been made. Second, he requested scheduling another meeting on February 18 for a final review and approval of the budget before it is submitted to the Controller on February 21. He requested 72 hours to review the final draft of the executive summary.*

Legal Counsel Clayton left at 4:18 P.M. and returned at 4:22 P.M.

Ms. Martel committed to the delivery of the revised budget by close of business on February 14 and noted that it would include changes requested by the Commission.

Commissioner Caen asked that all of BAWUA's questions be answered as well. Ms. Martel responded that it will take more than two days to do everything and ensure accuracy at the same time. She suggested that staff could start meeting with BAWUA by February 14.

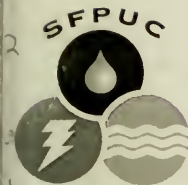
President Normandy stated that the intention of the Commission is to ensure that the issues raised by the Commissioners, the public and BAWUA have been properly and fully addressed. Staff can work out the details to make sure this happens before the Commission reconvenes on the budget on February 18.

Commissioner Caen turned the gavel back to President Normandy to preside.

President Normandy thanked staff for their excellent work. He stated budget cuts would be coming, but that the cutting process did start within SFPUC. He stated if SFPUC has done its due diligence and has been sensitive to the needs of the public and the economic times, then the budget that is moved forward is going to be representative of the best effort of all involved.

There being no further business to discuss, the meeting was adjourned at 4:28 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
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CLEAN WATER

WILLIE L. BROWN, JR.
MAYOR

E. DENNIS NORMANDY
PRESIDENT

ASHOK KUMAR BHATT
VICE PRESIDENT

ANN MOLLER CAEN
JEFFREY A. CHEN
ROBERT J. COSTELLO

PATRICIA E. MARTEL
GENERAL MANAGER

REVISED

NOTICE OF PUBLIC HEARING

Notice is hereby given that the San Francisco Public Utilities Commission will conduct a public hearing on the Operating and Capital Budgets for the enterprises and bureaus of the San Francisco Public Utilities Commission for FY 2003-2004 on the following dates. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 4th Floor, San Francisco, CA 94103.)

CHANGE OF TIME & LOCATION

Tuesday, February 18, 2003 – ~~1:30~~ 1:00 P.M.

~~1155 Market Street, Room 402, San Francisco, California~~

City Hall, Room 416, 1 Dr. Carlton B. Goodlett Place, San Francisco, California

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

SPECIAL MEETING

February 18, 2003
1:00 P.M.

City Hall, Room 416
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

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Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

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ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

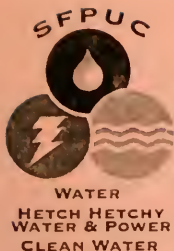
SPECIAL ORDER OF BUSINESS

4. Public Hearing – To consider adopting budget proposals for the Operating Budgets and Capital programs for the enterprises and bureaus under the jurisdiction of the Public Utilities Commission for Fiscal Year 2003-2004. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 4th Floor, San Francisco, CA 94103.) (Martel)

Staff Recommendation:

- a) Adopt the proposed Operating Budgets for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2003-2004.
- b) Adopt the proposed Capital Improvement Program for Hetch Hetchy Water & Power, Water, and Clean Water Enterprise for Fiscal Year 2003-2004.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

February 18, 2003
1:00 P.M.
City Hall, Room 416
1 Dr. Carlton B. Goodlett Place

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The Honorable Robert J. Costello

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Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:15 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Ashok K. Bhatt, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello

Excused – Commissioner Ann Moller Caen
3. Public Comments

President Normandy asked for public comment on any matters not listed on today's agenda, and also asked to make an exception and allow the public to address items listed on today's agenda.

Mr. John Ummel, Bay Area Water Users Association (BAWUA), reported that BAWUA submitted about thirty (30) questions to SFPUC staff last week regarding the FY 2003-2004 budget and stated that staff was timely in responding to the questions and resolved all major questions of concern. In most cases, BAWUA was seeking additional details to the proposals submitted. He stated there are still minor preliminary issues to resolve, but they don't warrant holding up today's budget deliberations. He thanked staff for the opportunity to work with them last week and BAWUA is looking forward to working with staff in the future.

President Normandy thanked Mr. Ummel for the good news about the cooperative working relationship, and thanked staff, Mr. William Berry, and the General Manager for their quick response to BAWUA's questions.

SPECIAL ORDER OF BUSINESS

4. Public Hearing – To consider adopting budget proposals for the Operating Budgets and Capital programs for the enterprises and bureaus under the jurisdiction of the Public Utilities Commission for Fiscal Year 2003-2004.

Ms. Patricia E. Martel, General Manager of Public Utilities, stated that an updated draft executive summary was sent out that provides an overview of the budget, the basis upon which the budget was developed, and highlights some of the new initiatives. It also provides summary charts that outline the proposed budgets by enterprise. She asked for questions and comments regarding the draft and the budget.

Commissioner Chen asked for a change in the first paragraph regarding clarification on past rates and also asked for a change in the seventh paragraph regarding interest percentages. Ms. Martel agreed to make these changes.

President Normandy asked the Commissioners to authorize the Chair to work with Mr. Berry and Ms. Martel to refine any further elements in the executive summary. President Normandy commented that his only change would be to reflect a more positive outlook for the future of the SFPUC. He feels the substance and form are excellent and that the direction of the Commission was clearly met.

Ms. Martel reported Commissioners were also provided with the questions posed by BAWUA and the SFPUC's responses, and asked if the Commissioners had additional comments or questions on these. President Normandy stated it was most important that BAWUA feels that SFPUC staff has adequately addressed their concerns.

Ms. Martel noted that resolutions were sent to the Commissioners reflecting all the changes the Commissioners requested and a revised resolution was also supplied.

President Normandy stated that he is confident all the input provided by the Commission, BAWUA, and other entities has been reflected. He specifically asked that thanks and recognition be given to Commissioner Caen, who in her position as the point person on the matters of finance and budget, chaired the previous meetings.

Moved by Commissioner Chen, seconded by Commissioner Costello to adopt the following resolution as amended; passed (4-0) unanimously.

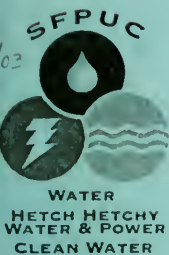
Resolution No. 03-0025: a) Adopt the proposed Operating Budgets for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2003-2004.

Moved by Commissioner Costello, seconded by Vice President Bhatt to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0026 b) Adopt the proposed Capital Improvement Program for Hetch Hetchy Water & Power, Water, and Clean Water Enterprise for Fiscal Year 2003-2004.

There being no further business to discuss, the meeting was adjourned at 1:27 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

REGULAR MEETING

February 25, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

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Water Quality

Patricia E. Martel
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ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - a) Minutes of the February 11, 2003 Regular Meeting
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
 - a) Legislative Update – Federal (Owen)
 - b) Legislative Update – State (Arena)
 - c) Lake Merced Update (Carlin)
8. Bay Area Water Users Association (BAWUA) General Manager's Report
 - a) BAWUA Update: Status of Formation of the Regional Financing Authority: Appointed Representatives (Jensen)
9. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

10. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

- a) Staff Recommendation: Approve the plans and specifications for Contract No. CW-338 WPCD Energy Management & Monitoring System and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.

REGULAR BUSINESS

11. Discussion and possible action related to Hetch Hetchy Capital Project Fund. (Larramendy)

- Staff Recommendation: Approve the de-obligation \$9,286,529 from the Hetch Hetchy Capital Project Fund to meet the Enterprises funding requirements for FY 2002-2003.

12. Discussion and possible action related to fund transfer among capital projects. (Larramendy)

- Staff Recommendation: Authorize the General Manager of Public Utilities to submit a request for supplemental appropriation to the Mayor and Board of Supervisors to transfer funds among capital projects for those that require immediate funding totaling \$4.670 million.

PROFESSIONAL SERVICE CONTRACTS

Award

13. Discussion and possible action related to Agreement No. CS-687. (Keaney)

Staff Recommendation: Authorize the General Manager of Public Utilities to award, negotiate and execute Agreement No. CS-687 As-Needed Training and Team Building Services to Boss Effectiveness Institute, to enhance teamwork and cooperation within WPCD for a total budgeted amount not to exceed \$150,000 and a duration of three years.

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.
15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

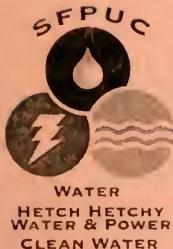
16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clayton)

Existing Litigation: E. Mitchell, Inc., Claim No. 03-01369

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

17. Announcement following Closed Session.
18. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

February 25, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

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Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:37 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello

Vice President Ashok K. Bhatt arrived after Roll Call at 1:48 P.M.

Excused - Commissioner Ann Moller Caen
3. Approval of Minutes

Moved by Commissioner Chen, seconded by Commissioner Costello, to adopt the Minutes of the February 11, 2003 Regular Meeting; passed (3-0) unanimously.
4. Communications

No action taken.
5. Old/Ongoing Business by Commissioners

President Normandy thanked Mr. Carlos Jacobo, Financial Services, for his outstanding work on the budget and apologized for not acknowledging him at the last meeting.

President Normandy requested that continued efforts be made to arrange a meeting with Supervisor Bevan Duffy.
6. Introduction of New Business by Commissioners

President Normandy requested: 1) staff develop a policy for the Commission to formally recognize employees' retirement, outside awards received, and other such honors; and 2) Bruce Lymburn provide a report to the Commission on a regular basis regarding real estate concerns.
7. Report of the General Manager

Ms. Patricia E. Martel, General Manager of Public Utilities, made an addendum to her report, adding an item from Mr. Ed Smeloff, Assistant General Manager of Power Policy. In his absence, Ms. Martel informed the Commission that his department submitted a \$300,000 grant proposal to the U.S. Department of Energy (USDOE) related to the Hunter's Point Naval Shipyard (HPNS). The collaborative proposal between SFPUC, Newcomb Anderson, Optimal Technologies and the

Rocky Mountain Institute is intended for creating advanced command and control software and hardware needed to integrate distributed energy resources within the distribution grid. This will be required in order to integrate many small-scale distributed resources placed throughout the entire electrical distribution system.

The proposal upholds the vision of the SFPUC and the City & County of San Francisco (CCSF) in greening the HPNS by integrating energy efficiency in renewable energy resources to control peak demand needs. The project also involves creating a green power park and attracting green power manufacturers and the service industry to HPNS. The greening project has been very well received by the City's Redevelopment Agency as part of their vision with the Mayor's Office of Economic Development for the redevelopment of HPNS. Assistance through USDOE's Build America Program to develop new energy-efficiency buildings at the site has been arranged. The proposal will reduce infrastructure costs, provide energy savings for neighboring residents and commercial clients, reduce fossil fuel baseloads, and offer optimal peaking generation. Progress on the grant proposal will be reported to the Commission.

a) Legislative Update – Federal

Mr. Darryl Owen, Washington Legislative Lobbyist, congratulated the Commission on the passage of the Capital Improvement Program (CIP). With its passage, his role has changed from its original status as a defensive position to an offensive one of promoting the SFPUC agenda.

He commented that Ms. Martel and Ms. Suzanne Arena spent two productive days in February briefing congressional members and key committee staff on the nature of the CIP. They met with agency heads that will be involved in the permitting process necessary to complete the CIP. He stated over the next months and year, promoting a smooth and productive permitting process is essential for the \$3.5 billion/13 year project as delays with permitting could cost a lot of money and jeopardize operational reliability.

Mr. Owen stated the possibility has emerged of a joint permitting authority comprised of all the federal agencies dealing with the CIP. It would bring them together under one roof and possibly authorize the SFPUC to pay associated permitting costs. As a joint authority, they would be able to communicate more readily and promote expeditious facilitation of permits. Mr. Owen stated his recent meetings with SFPUC staff about the permitting process have been helpful. He stated briefings should continue, working with agencies here in the region should begin and the initiative for a joint authority offers potential benefits to SFPUC. If the initiative moves forward it will use the Water Resources Development Act (WRDA), which expires September 30, 2003, as a legislative vehicle.

Vice President Bhatt arrived at 1:48 P.M.

Successful work was done between SFPUC, Santa Clara Valley Water District and East Bay Municipal Utilities District (EBMUD) in last year's Congress putting in a provision to fund a feasibility study for a Bay Area desalination plant. The item is to be pursued again this year. When the legislation starts moving, the three entities would join together and reinsert the provision back in the WRDA. Water reclamation and recycling is another issue for which work is being done to formalize a Bay Area structure that could be a target for federal funding to promote water reclamation and reuse programs.

Work will continue on Cal-Fed though SFPUC is not a direct beneficiary. Promoting the interests of the State and Cal-Fed keeps SFPUC in good standing with the California water community. Other large infrastructure projects are being considered and discussed, which keeps the CIP in proper perspective. Earlier this year, Senator Diane Feinstein got a provision into a bill authorizing the U.S. Secretary of Interior to continue feasibility studies with some storage projects in the region that is useful and advances the cause.

Discussion has begun in Washington regarding a water-based trust fund. The Water Infrastructure Network, a group of drinking water suppliers and water treatment agencies, conducted a study that indicated \$500 billion worth of water-treatment needs over the next 10 years. Money is not available in municipal areas to meet these needs. In the early stages, discussions have considered a fee attached to water used nationwide modeled on the Highway Trust Fund. The levied fee would go to the Federal government and would then be appropriated out on a regular basis to help fund water-delivery and water-treatment needs. With the launching of the CIP, SFPUC needs to be sure it is properly accounted for if a big trust fund of this nature is enacted. Mr. Owen concluded his report and availed himself for questions.

Vice President Bhatt stated he was pleased to hear about desalination potentials and thanked Mr. Owen for his efforts. Mr. Owen responded that he'd learned a lot about desalination since his last legislative report before the Commission. He stated recent developments are bringing it closer to a market level and that the Bay Area feasibility study could advance that cause.

President Normandy thanked Mr. Owen for helping Ms. Martel and Ms. Arena have a productive visit in Washington D.C. He stated he was encouraged by Mr. Owen's work on the possibility of a joint permitting authority, stating that it would be productive and efficient. He felt it would cultivate a sense of engagement between the agencies to be part of a process serving an entire region.

b) Legislative Update – State

Ms. Suzanne Arena, Manager for State Government Affairs, apprised the Commission that the Legislature convened on January 6, 2003. With a February 21 deadline, nearly 1,000 bills were introduced. She reviewed the following.

AB 1051 (Assemblywoman Jackie Goldberg) – This bill was sponsored by SFPUC and was a collaborative effort between CCSF and the City of Los Angeles to address utility rates. The bill would clarify that water utilities can charge “monthly water and sewer rates” that include capital components and debt service costs without first negotiating the rates with educational institutions. The bill would resolve an issue SFPUC is facing with UCSF and UC Hastings. The bill was introduced February 20 and is eligible for hearing March 20. SFPUC will meet with stakeholders, legislative leadership and interested parties in the next 30 days to discuss enacting the bill. The bill will require Ms. Martel’s time and commitment.

SB 21 (Senator Michael Machado) – This bill would clarify the intent of Proposition 50 and provide legislative direction to the State departments distributing the funds. The bill has been useful for influencing the language of desalination funding.

AB 430 (Assemblyman John Dutra) – This bill was sponsored by BAWUA and is intended to expedite the issuance of permits and licensing by State and local agencies on 9 construction projects in Assemblyman Papan’s AB 1823. The bill would require a high priority be placed on the permits for these 9 SFPUC projects.

AB 83 (Assemblywoman Ellen Corbett) – This bill was sponsored by EBMUD and would require water bottlers to include an 800 number, address, and website information on their label to enable consumers access to Consumer Confidence Report information. SFPUC is closely monitoring this bill for concerns about equity in treatment of bottled water versus municipal tap water and for onerous regulatory requirements.

Ms. Arena continued with an update on the State Budget. The State Legislature has a \$26-34 billion deficit to balance in the budget. The SFPUC is largely unaffected by State budget, but will be affected in the area of the annual Waste Discharge Permit fee. The Legislature made some midyear budget adjustments, including AB 4x which increased the Waste Discharge Permit fee in an amount sufficient to make the program fee supported. The increase is undetermined but would be in the range of \$10,000-25,000 per permit. The governor has not signed the bill and the legislature is awaiting the governor’s May revised budget to take action.

Ms. Arena concluded her update by stating she would keep the Commission informed on legislative developments and SFPUC positions via memos through the Commission Secretary.

Vice President Bhatt asked if the State deficit would reflect on AB 1823 or Proposition 50. Ms. Arena stated AB 1823 doesn’t have State costs and wouldn’t be affected. Proposition 50 is a general obligation bond and would not be affected by the deficit either. She clarified that agencies that rely on the State government for their programs, such as Public Health, Humans Services, Education, etc., would be impacted by the State deficit. This does not include SFPUC.

President Normandy commented on the time and resources that would be demanded of Ms. Martel to participate in State and Federal level discussions. He stressed the importance of her involvement in these high-level discussions, that she be advised accordingly by Ms. Arena and Mr. Owen, and that the organization operate efficiently and cooperatively to allow her to do so.

Ms. Arena encouraged President Normandy's position.

Ms. Martel stated she is considering delegating more responsibility to executive and senior level managers to allow her to engage in State and Federal level discussions. She further stated that Government Affairs has been reorganized with Ms. Arena focusing full time on the State level and new staff person, James MacLachlan, focusing on Local issues and serving as liaison to the Board of Supervisors (BOS) and the Mayor's Office. This allows Ms. Arena to be in Sacramento on a regular basis to facilitate establishing SFPUC in a leadership role around legislative issues. She stated Mr. MacLachlan would be giving a Local update for the second quarter.

c) Lake Merced Update

Mr. Michael Carlin, Manager of Bureau of Systems & Strategic Planning, reported drilling was completed on the saltwater monitoring wells at Thornton Beach and the San Francisco Zoo. Bedrock was expected at 1200 feet, but was encountered at 650 feet below the surface at the zoo. The extra allocated monies were used to drill another well at the same site and to put in two nested monitoring wells. This resulted in having saltwater monitoring wells at the bottom next to bedrock, at the midlevel and at a higher level. Funds were sufficient for a complete network.

An additional month of sampling was funded for the storm water demonstration project at Vista Grande Canal. A power generator at the site was rented. It constitutes a major cost and was authorized through the month of February.

Lake Merced environmental consultants have completed a topographic map. It was created by a flyover and includes 1-foot contours from the present water line up the embankment. Different vegetation was overlaid around the sides of the lake. Scenarios of rising lake levels were created to know which vegetation is being inundated by the water and what species living in the vegetation are impacted. The map will be available to the public. It will be on display in the government section of the San Francisco Public Library and will be taken to the Lake Merced Task Force (LMTF) meeting on February 26.

LMTF has been meeting and talking about their organizational structure and rules. Some members are looking to recast the task force to become more of an advocacy group. As an advocacy group, government agencies, such as the SFPUC, would not have a voting membership. The discussions have been ongoing and have not yet finished.

Mr. Carlin apprised the Commission on the upcoming calendar. On March 4, there will be a mediation session on CalTrout litigation. The outcome will be reported in March. Regularly scheduled meetings are still pending on the potential litigation. On March 8, SFPUC Communications and the San Francisco Recreation & Park Department will present a public workshop on Lake Merced. Participating will be members of the LMTF and agencies involved with the lake. The stewardship plan will be presented and participants will be available to the community for discussion. SFPUC will have a table and distribute information on SFPUC's involvement in the restoration of Lake Merced. The details on the workshop will be provided to the Commission. On March 15, there will be a Clean Up Day at Lake Merced.

Mr. Carlin concluded his report stating discussion with SFPUC Operations is underway regarding adding water to Lake Merced in March. This would be allowed under the existing Lake Merced environmental document. The Commission will be informed on this matter.

Vice President Bhatt inquired if action had been taken on getting Supervisor Hall Lake Merced updates. *He requested that Supervisor Geraldo Sandoval and Supervisor Tony Hall receive Balboa Reservoir updates.* He inquired on the progress of the CIP and the status of the Program Management Consultant contract.

Ms. Martel stated there would be a CIP update the first meeting in April. Mr. Carlin stated a full-time program manager for the Water Infrastructure Partners contract had been approved by Ms. Martel. He suggested the manager, Mr. Phil Kohne, be introduced to the Commission at the next meeting.

President Normandy expressed concern about the LMTF as an advocacy group. *He requested further information: 1) the original LMTF charter, 2) how the task force becoming an advocacy group affects the charter, and 3) what the pros and cons might be of SFPUC interfacing with the LMTF as an advocacy group.* He stated SFPUC's vision should remain constant as an agency that is collaborative and transparent in its endeavors with neighborhood groups. He expressed the importance of keeping tabs on developments in the event that a divide were to result and would need to be addressed.

Mr. Carlin informed the Commission that the discussion started in the LMTF and is not directed at SFPUC. He stated it involves the community trying to decide who is on the task force and who isn't. Mr. Carlin stated it does not make a difference if SFPUC as a governing agency votes or not. He stated the important part is that SFPUC be an active participant and transparent to LMTF. He agreed to send the requested information.

President Normandy inquired about the Lake Merced liaison position.

Mr. Carlin stated they are making progress on the liaison position but have not selected anyone. The process should be completed in March. He stated they are interviewing for the hydrologist position on Thursday and would be making a selection by the first week of March. He will report to the Commission in April on these positions.

President Normandy referred to a letter received today from Friends of Lake Merced. *He requested Mr. Carlin respond to the letter and advise the Commission.* He recalled a workshop organized by Mr. Carlin that was productive for opening dialogue and suggested appropo the March 8 meeting that consideration be given to organizing another similar workshop. He felt the BOS's increased attention on Lake Merced should prompt SFPUC to do more of this.

Mr. Carlin stated it is possible and he would put something together.

Ms. Martel assured the Commission the letter would be responded to as soon as possible. She informed the Commission that she met with the Building Trades Councils from San Francisco and San Mateo Counties before today's meeting. At the meeting hosted by the San Francisco Chamber of Commerce, she provided an update on the CIP and progress being made on projects. She received a positive response. The Trades Councils are supportive of SFPUC and anxious to begin working on projects, several of which are local and to be in construction by the end of the year.

President Normandy requested the following items be added to the Old/Ongoing Business: 1) a progress report (update) from the Program Management team to the Commission, and 2) changing the agency name before the end of the calendar year.

8. Bay Area Water Users Association (BAWUA) General Manager's Report

a) BAWUA Update: Status of Formation of the Regional Financing Authority: Appointed Representatives

Mr. John Ummel, BAWUA representative, reported that of the 26 public agency members, 19 have appointed representatives and 7 more are expected to appoint their representatives this week. All but 2 appointees are elected officials. BAWUA will send out a complete list when the Regional Financing Authority (RFA) appointments are finished, probably at the end of the week. Mr. Ummel stated that Mr. Jensen received a confirmation from Senator Jackie Speier who will be attending the first meeting of the RFA the first week of April. She will conduct the oath of office.

BAWUA took the lead in arranging a meeting with Mr. Bill Berry, the SFPUC Finance staff and consultants to meet with BAWUA's General Manager, himself and their new financial consultants this coming Monday.

Mr. Ummel shared that he went on a tour of the projects in the regional system on Friday and was impressed by the progress being made compared to what was observed 6 months ago. He commended the good work.

President Normandy suggested upon completion of forming the RFA, that an informal or formal meeting be organized for the Commission, the General Manager, BAWUA and the RFA to meet and communicate a shared vision.

Mr. Ummel stated it was an excellent idea and would convey it to Mr. Jensen.

9. Public Comments on matters not on today's agenda.

There were none.

CONSENT CALENDAR

10. Moved by Vice President Bhatt, seconded by Commissioner Costello, to adopt the item (a) listed under the Consent Calendar; passed (4-0) unanimously.

- a) Resolution No. 03-0027: Approve the plans and specifications for Contract No. CW-338 WPCD Energy Management & Monitoring System and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.

REGULAR CALENDAR

11. Discussion and possible action related to Hetch Hetchy Capital Project Fund.

Moved by Commissioner Chen, seconded by Commissioner Costello to adopt the following resolution; passed (4-0) unanimously.

- Resolution No. 03-0028: Approve the de-obligation \$9,286,529 from the Hetch Hetchy Capital Project Fund to meet the Enterprises funding requirements for FY 2002-2003.

12. Discussion and possible action related to fund transfer among capital projects.

Moved by Commissioner Costello, seconded by Vice President Bhatt to adopt the following resolution; passed (4-0) unanimously.

- Resolution No. 03-0029: Authorize the General Manager of Public Utilities to submit a request for supplemental appropriation to the Mayor and Board of Supervisors to transfer funds

among capital projects for those that require immediate funding totaling \$4.670 million.

PROFESSIONAL SERVICE CONTRACTS

Award

13. Discussion and possible action related to Agreement No. CS-687.

Moved by Vice President Bhatt, seconded by Commissioner Chen to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0030: Authorize the General Manager of Public Utilities to award, negotiate and execute Agreement No. CS-687 As-Needed Training and Team Building Services to Boss Effectiveness Institute, to enhance teamwork and cooperation within WPCD for a total budgeted amount not to exceed \$150,000 and a duration of three years.

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.

There were none.

15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Costello, seconded by Commissioner Chen, to assert the attorney-client privilege; passed (4-0) unanimously.

The Public Utilities Commission met in Closed Session at 2:35 P.M. to discuss the following matters:

16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Bhatt, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung

Existing Litigation: E. Mitchell, Inc., Claim No. 03-01369

Moved by Commissioner Chen, seconded by Commissioner Costello, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0031

Following the Closed Session, the Commission reconvened in open session at 2:37 P.M.

17. Announcement following Closed Session.

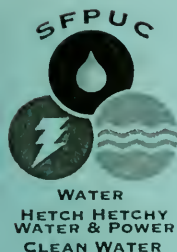
President Normandy announced the actions taken during Closed Session.

18. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Bhatt, seconded by Commissioner Chen, not to disclose the discussions during Closed Session; passed (4-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 2:38 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

DOCUMENTS DEPT.

AGENDA

MAR - 7 2003

REGULAR MEETING

SAN FRANCISCO
PUBLIC LIBRARY

March 11, 2003
1:30 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - a) Minutes of the February 5, 2003 Special Meeting
 - b) Minutes of the February 6, 2003 Special Meeting
 - c) Minutes of the February 18, 2003 Special Meeting
 - d) Minutes of the February 25, 2003 Regular Meeting
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
8. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

9. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

- a) Staff Recommendation: Approve the plans and specifications for Contract No. CW-294, 24th & Washburn Streets Sewer Replacement and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
- b) Staff Recommendation: Approve the plans and specifications for Contract No. CW-335, 10th Avenue / Ortega Street / Oak Park Drive Sewer Replacement and authorize the General Manager of Public Utilities advertise, receive and evaluate bids.
- c) Staff Recommendation: Approve the plans and specifications for Contract No. WD-2365, Mariposa, Mississippi, Tennessee, 18th and 19th Streets 8-Inch Ductile Iron Main Installation, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
- d) Staff Recommendation: Ratify the Declaration of Emergency made by the General Manager of Public Utilities, dated February 14, 2203, and approved by the President of the Commission, to repair the slide on Ingoing Road near the San Andreas Dam.

CONSTRUCTION CONTRACTS

Close

10. Discussion and possible action related to Contract No. WD-2329. (Maiolini)

- Staff Recommendation: Accept work performed for Contract No. WD-2329, College Hill Reservoir Seismic Retrofit & Improvements, approve Modification No. 3 (final), increasing the contract by \$376,634.61, for a total contract amount of \$4,723,965.61, and authorize final payment of \$147,349.28 to Mitchell Engineering, Inc.

PROFESSIONAL SERVICE CONTRACTS

Award

11. Discussion and possible action related to Agreement No. CS-713. (Maiolini)

Staff Recommendation: Approve the selection of Camp Dresser & McKee, award a professional services agreement to provide water treatment, process engineering, plant operations, and distribution system evaluation services for Professional Services Agreement No. CS-713, Chloramine Operations and Start-Up Plans and authorize the General Manager of Public Utilities to execute a professional services agreement with Camp Dresser & McKee for an amount not to exceed \$400,000 and a duration of 18 months from the Notice to Proceed.

CLOSED SESSION

12. Public comments on matters to be discussed in Closed Session.
13. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

14. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Commerce Holding Co., Inc. v. City and County of San Francisco (San Mateo County Superior Court No. 421-630)

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

15. Announcement following Closed Session.
16. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

March 11, 2003
1:30 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

DOCUMENTS DEPT.

MAR 27 2003

SAN FRANCISCO
PUBLIC LIBRARY

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:30 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Ashok K. Bhatt, Commissioner Ann Moller Caen, Commissioner Robert J. Costello

Excused - Commissioner Jeffrey A. Chen

3. Approval of Minutes

Moved by Commissioner Costello, seconded by Vice President Bhatt, to adopt the Minutes of the February 5, 2003 Special Meeting, February 6, 2003 Special Meeting, February 18, 2003 Special Meeting, and February 25, 2003 Regular Meeting; passed (4-0) unanimously.

4. Communications

Vice President Bhatt introduced Mr. Naranji Patel, an Indo-American leader from San Jose, visiting today's Commission meeting.

5. Old/Ongoing Business by Commissioners

Commissioner Caen, referring to the February 25th minutes under the topic of legislation, inquired if there is a special water rate for schools.

Ms. Patricia E. Martel, General Manager of Public Utilities, stated SFPUC does not give special water rates to schools or state agencies at the present time and that this was the basis for the UC Regents case against SFPUC. SFPUC is in the process of looking into negotiations with UC with the hope of resolving the issue without going to litigation. Meanwhile a sponsor for a legislative remedy to the issue has been sought, as it was State legislation that created the exemption for state agencies and schools. Assemblywoman Jackie Goldberg has agreed to be a sponsor. SFPUC staff and the Mayor's legislative representatives are working with Assemblywoman Goldberg's staff to move forward on legislating a remedy that would resolve the issue and address SFPUC's future liability with UC and any other state agencies or schools in San Francisco.

6. Introduction of New Business by Commissioners

Commissioner Caen reported that she visited a new reverse osmosis plant on Jupiter Island, Florida. The plant cost \$8 million. The plan is to do 2 million gallons a day, with the projection of getting up to 8 million gallons a day. Water rates will

increase 18% because of the plant. There are only 225 reverse osmosis plants in the U.S.; 150 of them are in Southern Florida.

President Normandy requested staff schedule an off-site meeting for the Commission at the Southeast facility given the interest the community has in the Clean Water Program, the projects that affect the Southeast community, and the new Southeast Community Facility commissioners sworn in this past week. He asked the General Manager to choose an appropriate date.

7. Report of the General Manager

Ms. Martel updated the Commission on the Program Management Contract (PMC) and per Vice President Bhatt's request, introduced the new Program Director for Water Infrastructure Partners (WIP).

Ms. Martel reported meeting with the Finance Committee (FC) on February 26. The FC did not approve full third-year funding for the PMC, but provided 8-week funding through April 30, 2003. The reason for partial funding was due to Local 21 wanting more time to negotiate items with SFPUC on the contract. Local 21 requested a letter from Ms. Martel inviting an outside facilitator from the Federal Mediation and Conciliation Service to facilitate the Joint Union City Committee meetings. On February 26, Ms. Martel provided David Novogrodsky of Local 21 with a letter indicating if he wanted to make changes to do so and return the letter to her. She is still awaiting the letter.

Ms. Martel advised the Commission she would return with an item within a month regarding a performance fee authorized under the contract for the Program Management Consultant. Up until now, the fee has been negotiated between SFPUC and the consultant. Last year, the Board of Supervisors (BOS) passed a resolution requesting that the fee be approved by the BOS. The request has not moved forward pending contract amendments resulting from Local 21 negotiations. However, FC instructed the SFPUC to move ahead with this single amendment. Staff would negotiate the performance fee to be paid, the Commission would review it and then it would go to the BOS for approval. In addition to approving the fee, the BOS has requested the criteria used by SFPUC to evaluate the performance of the consultant. SFPUC is working with the consultant on this as they must agree to the change in the contract. The FC indicated the SFPUC move forward on the amendment by April 30, 2003 when they return for funding.

President Normandy requested an opinion from the City Attorney's Office on this matter expressing concern about it being removed from the purview of SFPUC and put in the hands of a legislative body of the City. He questioned its appropriateness and if it affected the Commission's mandated authority with regard to handling future contracts. He requested the information prior to the amendment coming before the Commission.

Ms. Vicki Clayton, Legal Counsel, clarified that President Normandy wanted to know if the BOS has the authority to order the SFPUC to make specific amendments to the PMC. Ms. Martel stated a response to President Normandy's request would come as soon as possible.

Ms. Martel introduced Mr. Phillip Kohne, new Program Director for WIP, highlighting his 30-years experience in program and construction management related to water and wastewater facilities. His most recent service was with CH2MHill as the director of program and construction management with a staff of 500 program and construction managers, resident engineers, cost engineers, schedulers, and construction inspectors. Mr. Kohne has managed all phases of projects from planning and permitting, to design, construction and startup. His extensive experience has addressed the needs of multiple project stakeholders involving water and wastewater agencies, regulators, funding agencies, community groups, ratepayers and a variety of affected jurisdictions. He directed multibillion-dollar projects in San Luis Obispo and Santa Barbara Counties, Los Angeles and Milwaukee. In the Bay Area, he has worked with East Bay Municipal Utilities District, So. San Francisco, and Sonoma County Water Agency on water and wastewater treatment projects. Ms. Martel stated Mr. Kohne's vast experience meets the interests of SFPUC for the water system improvements and the developing wastewater system master plan and its capital program.

Mr. Kohne, Program Director for WIP, reported on three areas of effort during his first 30 days on the program.

- 1) Oversight of the Consultant Team – The team has been actively engaged in early planning efforts to drive projects to the engineering and construction phases. The initial focus has been on projects on the critical path, including those requiring extended environmental review process. These early planning efforts are key to meeting the overall program schedule. In addition to keeping the overall program on track, adjustments were recently made on the sequencing of projects to address the current economic downturn. Certain projects with shorter environmental review periods initially scheduled to begin 3-4 years from now, have been advanced to generate engineering workload and to get projects into construction at the earliest possible time.
- 2) Enhancing Relationships – The initial phase of large capital programs involves a process of team building among the groups within the owner organization and between owner and consultant staff. To foster effective working relationships, Mr. Kohne has met with managers and engineers throughout SFPUC's program management, planning, finance, engineering and construction management groups. He commented the talent pool within SFPUC is enormous and that initial team-building efforts are critical to harnessing the collective energy of the organization to successfully deliver the program.

3) Need for Unity and Cooperation among the Program Stakeholders – There are many stakeholders along with SFPUC that have interests in the program, including Department of Public Works, Muni, Local 21 and the wholesale customers. Mr. Kohne has met with representatives of these groups to better understand their needs and objectives. In an effort to address Local 21's concerns over the contract and to strengthen communications with their leadership, Mr. Kohne offered to serve as a partner on an oversight committee with SFPUC and Local 21. This will help clarify the scope of services, explain staffing and transition approaches, and discuss training and mentoring opportunities for SFPUC engineers.

Mr. Kohne concluded his briefing stating he welcomed the opportunity to meet with the Commissioners to understand their perspectives and to share insights into the challenges with guiding the CIP to successful completion.

President Normandy thanked and welcomed Mr. Kohne. He was pleased to know that Mr. Kohne was taking steps to speed up the process to get projects started and urged the Commission and staff to support this effort as the projects are mandated by the voting public and the constituents served. He asked Ms. Martel to report on several recent events.

Ms. Martel reported she, President Normandy, Vice President Bhatt, Paul Kehoe, and Janet Elliott attended a celebration hosted by the Bay Area Ridge Trail Council last week in recognition of the Commission's recent action providing limited access to the watershed. Supervisor Tom Ammiano attended and highlighted the partnership established between the Council Board under the leadership of the Commission and the BOS. For those attending, Ms. Martel provided SFPUC materials about the Peninsula watershed and a field guide about protecting the watershed. She stated a special outreach brochure was being created specifically related to the section of the trail on the watershed being opened to limited public access. She reported that SFPUC is moving forward in filling the community liaison position that will be responsible for training the volunteers that will serve as the docents on the trail. She stated signage on the trail and portable restrooms for the public would be installed over the next couple of months. The target date for opening the trail is July. There will be a ribbon-cutting celebration when everything is in place and before the trail is opened for tours.

Ms. Martel concluded her report stating that she, President Normandy and Paula Kehoe, Executive Assistant to the General Manager, visited the Directors of the Airport, the Port of San Francisco and the San Francisco Zoo on March 10th. Their purpose was to introduce SFPUC's newly bottled water to the agencies and the possibility of marketing it at their sites. A marketing plan is being developed to introduce Hetch Hetchy water to City venues and facilities, as is the possibility of delivering bottled water to City departments that purchase from outside vendors. A marketing slogan and campaign are in development. When the marketing efforts are finalized, SFPUC will host a press conference with the Commission and the

Mayor to formally introduce Hetch Hetchy water to the public and give information about where it can be purchased.

8. Public Comments on matters not on today's agenda.

There were none.

CONSENT CALENDAR

9. Moved by Commissioner Caen, seconded by Vice President Bhatt, to adopt the items (a-d) listed under the Consent Calendar; passed (4-0) unanimously.
- a) Resolution No. 03-0032: Approve the plans and specifications for Contract No. CW-294, 24th & Washburn Streets Sewer Replacement and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
 - b) Resolution No. 03-0033: Approve the plans and specifications for Contract No. CW-335, 10th Avenue / Ortega Street / Oak Park Drive Sewer Replacement and authorize the General Manager of Public Utilities advertise, receive and evaluate bids.
 - c) Resolution No. 03-0034: Approve the plans and specifications for Contract No. WD-2365, Mariposa, Mississippi, Tennessee, 18th and 19th Streets 8-Inch Ductile Iron Main Installation, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
 - d) Resolution No. 03-0035: Ratify the Declaration of Emergency made by the General Manager of Public Utilities, dated February 14, 2203, and approved by the President of the Commission, to repair the slide on Ingoing Road near the San Andreas Dam.

CONSTRUCTION CONTRACTS

Close

10. Discussion and possible action related to Contract No. WD-2329.

Moved by Vice President Bhatt, seconded by Commissioner Costello to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0036: Accept work performed for Contract No. WD-2329, College Hill Reservoir Seismic Retrofit & Improvements, approve Modification No. 3 (final), increasing the contract by \$376,634.61, for a total contract amount of \$4,723,965.61, and authorize final payment of \$147,349.28 to Mitchell Engineering, Inc.

PROFESSIONAL SERVICE CONTRACTS

Award

11. Discussion and possible action related to Agreement No. CS-713.

President Normandy requested staff look into commemorating the completion of the Alameda project in September and the Peninsula project in November, stating these completion dates were opportunities to communicate to the public and stakeholders on the progress being made.

Moved by Commissioner Costello, seconded by Vice President Bhatt to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0037: Approve the selection of Camp Dresser & McKee, award a professional services agreement to provide water treatment, process engineering, plant operations, and distribution system evaluation services for Professional Services Agreement No. CS-713, Chloramine Operations and Start-Up Plans and authorize the General Manager of Public Utilities to execute a professional services agreement with Camp Dresser & McKee for an amount not to exceed \$400,000 and a duration of 18 months from the Notice to Proceed.

CLOSED SESSION

12. Public comments on matters to be discussed in Closed Session.

There were none.

13. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Costello, seconded by Vice President Bhatt, to assert the attorney-client privilege; passed (4-0) unanimously.

The Public Utilities Commission met in Closed Session at 2:00 P.M. to discuss the following matters:

14. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Existing Litigation: Commerce Holding Co., Inc. v. City and County of San Francisco (San Mateo County Superior Court No. 421-630)

Moved by Commissioner Caen, seconded by Commissioner Costello to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0038

Following the Closed Session, the Commission reconvened in open session at 2:02 P.M.

15. Announcement following Closed Session.

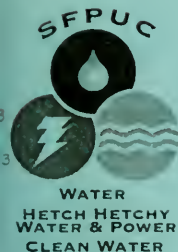
President Normandy announced the actions taken during Closed Session.

16. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Bhatt, seconded by Commissioner Costello, not to disclose the discussions during Closed Session; passed (4-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 2:03 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

SPECIAL MEETINGS

March 21, 2003
8:00 A.M. – 5:00 P.M.

&
March 22, 2003
8:00 A.M. – 2:00 P.M.

Prescott Hotel
Conference Room
545 Post Street at Mason
San Francisco, California

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



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The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

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Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

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ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

SPECIAL ORDER OF BUSINESS

4. Team building session presented and facilitated with assistance from Red Oak Consulting. (Martel)

Staff Recommendation: For discussion only.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

March 21, 2003
9:00 A.M.
Prescott Hotel
Conference Room
545 Post Street at Mason

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COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 9:12 A.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Ashok K. Bhatt, Commissioner Ann Moller Caen, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello

Excused – Commissioner Jeffrey A. Chen
3. Public Comments on matters not on today's agenda.

There were none.

SPECIAL ORDER OF BUSINESS

4. Team building session presented and facilitated with assistance from Red Oak Consulting.

President Normandy started the meeting by proposing several objectives for the morning session. The Commissioners unanimously agreed to the objectives as proposed:

- a) To update the SFPUC mission statement as needed
- b) To clarify the role of the 5-member-commission in SFPUC governance
- c) To frame the Commissioners' collective vision for the SFPUC, i.e., the direction the agency should take both for the short term and long term
- d) To determine the priorities and policies needed to achieve the collective vision.

After reviewing previous versions (from 1996 onwards) of the SFPUC mission statement, the Commissioners unanimously approved the following update:

"To serve San Francisco and its Bay Area customers with reliable, high quality and affordable water while maximizing benefits from power operations and responsibly managing the resources entrusted to its care.

"To protect public health and the aquatic environment by providing safe, reliable and efficient collection, treatment and disposal of San Francisco waste water.

"To conduct its business affairs in a manner that promotes efficiency, minimizes waste and assures rate payer confidence.

"To promote diversity and the health, safety and professional development of its employees."

On the issue of governance, the Commissioners concluded that the agency should follow a business model, with the 5-member Commission functioning as the equivalent of a corporate Board of Directors. In line with this model, the Commissioners defined their collective responsibilities as a) setting the overall direction in which to take the agency, b) providing the resources, policies and external political assistance needed for staff to effectively perform their duties, and c) overseeing the work of the General Manager and holding that executive accountable for the overall performance of the agency.

The Commissioners agreed to direct the General Manager to prepare and submit as soon as possible for Commission approval the updated short and long-term strategic business plans, together with correlating financial plans. Upon approval of these plans, staff is to provide the Commission with regular progress reports as to the plans' implementation.

The Commission took a break at 10:45 A.M. and resumed meeting at 10:55 A.M.

President Normandy brought up for discussion several issues relating to the above, and the Commission deliberations were as follows:

- a) At Commissioner Caen's suggestion, the Commissioners agreed to postpone indefinitely any consideration of a possible name change for the SFPUC; e.g., "SF Water, Power and Sewer Authority."
- b) The Commissioners expressed unanimous concern over delayed implementation of the Capital Improvement Program and the continually interrupted funding of the Program Management Consultant contract. These delays could jeopardize the CIP to the point of its being non-compliant with the state legislation passed in 2002.
- c) The Commissioners restated their concern that system-wide water supplies continue to run short by approximately 20%. Therefore, the Commissioners established that the first priority of staff should be to take all necessary and practical steps to increase water supply and storage. Staff is to investigate the various ways to achieve this goal, and report to the Commission accordingly, rating each approach according to cost and feasibility of implementation. The Commissioners expressed particular interest in recycled water, reactivation of reservoirs currently not in use, water banking, and desalination among the options to be explored. Commissioner Costello requested information on the cisterns located

under the city fire stations, so as to determine the amount of water available in these cisterns and how such water can be used in case of catastrophes.

- d) The Commissioners agreed that closer and more frequent communication is needed between the General Manager (and senior staff) and the Commission. Commissioner Caen requested that a weekly status report in executive summary format be provided by the General Manager, highlighting key issues and staff activities.
- e) The Commissioners noted that although Proposition E had made it more difficult for the Board of Supervisors and the Mayor's Office to move revenues from the SFPUC to the general fund, due to the budget crisis, there has been no lack of creative approaches to secure SFPUC resources. Such approaches include requests or special rates and/or increased fees charged the SFPUC by other city agencies. The Commissioners agreed to establish a policy holding the line on these requests, and that funds not used for direct operations should be allocated to improving security measures guarding against natural disasters or terrorist acts.

A break for lunch was taken at 11:28 A.M.

The Commission reconvened at 12:45 P.M., joined at this time by General Manager Patricia E. Martel and 2 representatives from Red Oak Consulting (ROC), Mr. Hiram Pomerance and Ms. Amparo Flores.

The ROC team began their presentation with a broad view of their firm's and their own individual experience in evaluating organizational efficiency and management approaches. They noted that they were hired by the SFPUC for the specific purpose of analyzing the strengths and weaknesses of the current executive leadership team. The findings are to be correlated to the development of an updated strategic business plan and to the upcoming organization-wide performance assessment and restructure.

The consultants listed the strengths of the executive leadership team as: high commitment level, diverse experience, solid expertise, ability to work in a highly political environment, ability to handle external political pressures, and a strong desire to improve and succeed. On the negative side, the consultants found low levels of trust among the team members, organizational reporting confusion, lack of clarity in roles and responsibilities, and lack of accountability on enterprise-wide goals.

Root causes for the above were identified as: multiple stakeholder groups, restraints imposed by the City Charter and Civil Service, key leadership vacancies, complex governance model, relatively new General Manager, lack of clarity in

organizational direction and design. Mr. Pomerance made several recommendations for strengthening the leadership team, including individual coaching, team-building workshops, and increased training in planning and communication.

Mr. Pomerance concluded his presentation with an outline of actions to take toward development of an effective strategic business plan. He emphasized performance assessment and measures as well as specific methods for translating strategy into operations action.

President Normandy thanked the consultants for their work, noting how the ROC findings validated much of the Commission's own analyses. With the Commissioners' concurrence, President Normandy summarized the key conclusions derived from the presentation. The SFPUC is lacking in 3 major areas: clarity of organizational structure, performance accountability, and succession plans for key management.

President Normandy then outlined for the General Manager and the consultants the deliberations of the morning session and how the points covered fit in with the afternoon's presentation. He went into greater detail in regard to the Commissioners' views on the potential restructuring of the organization.

Taking great care to acknowledge that the 5-member Commission has direct "hire and fire" authority only over the General Manager, and that the Commission is precluded from direct involvement in staff operations, President Normandy laid out the managerial structure envisioned by the Commission as being the most efficient in addressing organizational clarity, performance accountability and succession.

The Commission proposed that the General Manager operate as a de facto president of the equivalent of a holding company, with 5 direct reports to her. These direct reports would hold the title of Assistant General Manager, but operate as de facto presidents of their individual enterprises, with bottom-line responsibility and performance accountability. The 5 direct reports are envisioned as Assistant General Managers respectively for a) Water, b) Power, c) Clean Water, d) Business Services and Planning, e) Engineering Services and Infrastructure. In effect, Water, Power and Clean Water are to be separately operating enterprises, with the latter 2 enterprises providing across-the-board services for the first 3.

This structure is seen as allowing the General Manager to become more of a visionary and spokesperson for the agency, freeing her up from the minutiae of day to day operations of the various enterprises while still holding her responsible for the collective bottom line and performance accountability of the entire SFPUC. Future successors to the General Manager post would most logically come from the ranks of the Assistant General Managers rather than from outside the organization.

General Manager Martel expressed her agreement in principle with this concept, and stated that as a result of this meeting, she had a clearer sense of the Commission's priorities. She further stated that there still is a fear within the organization of change as well as performance assessment. However, there appears to be good progress being made toward better understanding of the need for change in order to improve the organization.

The Commission praised the General Manager for her work in moving the organization forward on many fronts, and for her success in leading the effort toward voter education and approval of the CIP bond measure. Ms. Martel thanked the Commissioners for their support and continuing input.

In keeping with the above discussions, Ms. Martel stated the order of her priorities for the coming months: a) the implementation of the CIP, and b) development of the updated strategic business plan. The goal for the final draft of the strategic business plan was set for October 31, 2003 followed by a one-month period for review.

Ms. Martel requested that her job description be further developed to make it a more effective tool for future evaluation of her performance. The Commissioners agreed that this request was fair and logical. They also noted that similar development of job descriptions for the Assistant General Managers would help.

The Commission advised Mr. Pomerance that it expected his firm to assist in a support plan to help employees make the necessary adjustments to the proposed organizational changes.

Mr. Pomerance commented that he was impressed with the level of commitment and the realistic approach of the Commissioners to the organizational evaluation and restructure. President Normandy thanked the consultants, the General Manager and the Commissioners for their respective roles in making the day as positive and productive as it turned out to be.

There being no further business to discuss, the meeting was adjourned at 3:04 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

SPECIAL JOINT MEETING

March 25, 2003

1:00 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

PUBLIC UTILITIES COMMISSION

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

Patricia E. Martel, General Manager
Mary Y. Jung, Secretary

COMMISSION ON THE ENVIRONMENT

The Honorable Parin Shah, President
The Honorable Randall Hayes, Vice President
The Honorable Sally G. Bingham
The Honorable Nia Crowder
The Honorable Alan Mok
The Honorable Arlene Rodriguez
The Honorable Johanna Wald

Jared Blumenfeld, Director
Emily Rogers, Secretary

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ORDER OF BUSINESS:

1. Call to Order
2. Roll Call

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION AND THE COMMISSION ON THE ENVIRONMENT ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES, THE DIRECTOR OF THE COMMISSION ON THE ENVIRONMENT AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Public Utilities Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796. It is also available on-line at:

<http://www.sfgov.org/sfenvironment/aboutus/energy/resource-plan.pdf>

SPECIAL ORDER OF BUSINESS

3. Presentation of "The Electricity Resource Plan: Choosing San Francisco's Energy Future" by the Public Utilities Commission and the Department on the Environment. (Smeloff and Blumenfeld)
 - a) Staff Recommendation: For discussion only.
4. Public Comments

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

March 25, 2003
1:00 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

PUBLIC UTILITIES COMMISSION

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

COMMISSION ON THE ENVIRONMENT

The Honorable Parin Shah, President
The Honorable Randall Hayes, Vice President
The Honorable Sally G. Bingham
The Honorable Nia Crowder
The Honorable Alan Mok
The Honorable Arlene Rodriguez
The Honorable Johanna Wald

Jared Blumenfeld, Director
Emily Rogers, Secretary

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ORDER OF BUSINESS:

1. Call to Order: 1:06 P.M.
2. Roll Call: Present (SFPUC) – President E. Dennis Normandy, Vice President Ashok K. Bhatt, Commissioner Ann Moller Caen, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello

Present (DOE) – President Parin Shah, Commissioner Nia Crowder, Commissioner Alan Mok

DOE Vice President Randall Hayes arrived at 1:30 P.M.

SPECIAL ORDER OF BUSINESS

3. Presentation of “The Electricity Resource Plan (ERP): Choosing San Francisco’s Energy Future” by the San Francisco Public Utilities Commission (SFPUC) and the Department on the Environment (DOE).

a) ‘Staff Recommendation: For discussion only.

Mr. Ed Smeloff, SFPUC Assistant General Manager of Power Policy, Planning and Resource Development, presented the Plan, explaining it was adopted by the Board of Supervisors (BOS) and Mayor Willie L. Brown, Jr. in December, 2002, and is expected to be used as a policy guide in proposing and implementing specific actions by various City agencies. The Plan provides a long-term vision of the City’s electricity future. Updates to the plan will be released annually. The Plan is a result of an ordinance sponsored by Supervisor Sophie Maxwell in 2001 to address the health and environmental consequences of electricity generation in San Francisco. The plan can be accessed at:

<http://www.sfgov.org/sfenvironment/aboutus/energy/resource-plan.pdf>

After the presentation, Mr. Jared Blumenfeld, Director of the DOE, thanked Mr. Smeloff for the presentation and the SFPUC for consistent leadership on environmental issues, with programs such as the Integrated Pest Management Program and with the green building work promoted by the DOE, ensuring that the changes and improvements being made to 1155 Market are environmentally friendly.

Mr. Blumenfeld reported on other work being done by the DOE: (1) The recycling center at Pier 96 has a 100,000 square foot roof and plans are being made for a major solar installation; (2) DOE is working with the SFPUC’s Bureau of Environmental Regulation and Management (BERM) to lessen the amount of

mercury in the Bay; and (3) DOE is also involved with projects in the Recycled Water Master Plan and the Southeast Wastewater Treatment Facility.

Mr. Blumenfeld brought up the necessity of community involvement and how the ERP was developed with community involvement from the very beginning, rather than inviting communities to comment on a draft written by technical experts. More than 11 public meetings were held throughout the City, which will help in the success of the plan. The community helped develop the criteria used for planning. It was a goal-driven process, with the community articulating the following: (1) Maximize energy efficiency, (2) Develop renewable power, (3) Assure reliable power, (4) Support affordable electric bills, (5) Reduce air pollution and prevent other environmental impacts, (6) Support environmental justice, (7) Develop local economy, and (8) Increase local control over energy resources.

Mr. Blumenfeld explained that along with these goals, shutting down the Hunters Point Power Plant (HPPP) was a high priority and the ERP articulates how this can be expedited. He further explained there is distrust in the Southeast community, where commitments have been made and not kept and the ERP details how this particular commitment can happen. He repeated that the two departments are asking for \$16.3 million to get an energy efficiency measure in place to reduce peak demand by 16 megawatts, through a public goods charge already paid by consumers through PG&E.

Mr. Blumenfeld stated that the SFPUC and DOE have been hosting working groups with co-chairs from the community and agencies such as the ISO. These working groups have been studying demand reduction, generation distribution, power flow, and the amount of power needed to replace HPPP. If the ERP is implemented, emissions and greenhouse gas will be reduced. Carbon dioxide, currently generated at 2.5 million tons a year, can be reduced by 1 million tons.

Mr. Blumenfeld explained that a working group will be convened from both Commissions to implement the Plan. Both departments are working on different ordinances to make the residential and commercial sectors more energy efficient – some programs would be mandatory and others could provide incentives to boost involvement. Mr. Blumenfeld lauded the SFPUC on its ability to communicate its message to San Francisco residents about the looming crisis with the Hetch Hetchy water system last November. He compared it to the environmental justice crisis and how educating the public is needed to shut down the HPPP. Currently, only 38% of San Francisco residents think the power plant needs to be shut down.

Mr. Blumenfeld continued that the DOE is working with Mayor Brown on an ordinance affecting new City construction and compliance with proposals, ensuring design, construction, and demolition of buildings is as energy efficient, energy conscious, and environmentally friendly as possible. To implement this, all City agencies (from Planning to Building Inspection) will be involved, along with outside organizations (e.g., Chamber of Commerce, Building Owners and Managers

Association, etc.). Mr. Blumenfeld pointed out that energy efficiency in these difficult budget times will mean significant monetary savings in the future. He ended his comments by remarking on how long and how well the two Departments have been working together

SFPUC President Normandy called for questions from the Commissioners.

SFPUC Commissioner Caen asked if the Jefferson-Martin Transmission could be underground. Mr. Smeloff answered that half of it does – from Sneath Lane to Martin. The other 14 miles, most of it on the Crystal Springs Watershed along 280, is overhead and replaces existing transmission towers with taller ones. Going underground would be costly and would raise questions by the California PUC (CAPUC) and raise environmental issues regarding habitat. This is PG&E's plan and the CAPUC is conducting the EIR. They have not looked at an underground alternative for this project.

SFPUC Commissioner Caen asked how we know that PG&E will really shut down HPPP in Summer '05? Mr. Blumenfeld answered that PG&E is not investing any more money into retrofitting the plant and Air Reduction Credits cannot be used in the future, so PG&E will not be able to keep HPPP open.

SFPUC Commissioner Caen asked if SFPUC would be able to reduce the power brought into San Francisco if the four new peakers and the new plant were put in place. Mr. Smeloff replied that transmission lines would need to be improved before this could happen. The City is currently dependent upon the existing transmission system with the same constraints. However, the new systems would allow operational flexibility. Mr. Blumenfeld added that the community was very concerned about not importing environmental justice problems from elsewhere and that consideration be given to import clean, renewable power from other sources.

DOE President Shah made the following points: (1) He thanked SFPUC staff for their leadership in moving the ERP forward and working with the DOE on how to deliver electricity that enhances or improves the health of residents and the earth; (2) The ERP is a living document and changes will be made as the Plan is implemented; (3) He reiterated the need to know how to close Potrero Unit 3 in the future; and (4) He suggested looking at the future to determine how to decrease the need to import electricity.

SFPUC President Normandy thanked DOE President Shah, the staff, and Commissioners for their work and participation, noting that separating the CIP from the issues relevant to the Southeast Community allows the Commissions to focus on the environmental issues. He stated he supported wholeheartedly the need for community outreach and participation and how this is vital to success. SFPUC President Normandy also noted the specific roles of the Commissions: Providing resources, pushing the public/political will to make things happen, and providing political cover that would allow staff to function. He ended by stating that

Commissioners need to lead the way, but also need the wisdom to get out of the way so staff can proceed with their work.

4. Public Comments

Mr. John Plummer, Friends of Lake Merced, waived his right to speak, stating that SFPUC President Normandy already covered the same points he was going to make. He stated he is delighted with the working relationship between the two departments, hopes there will be a joint venture regarding water, and offered to help in preparing for such a meeting. He will send a letter to the Commissioners soon regarding other matters.

There being no further business to discuss, the meeting was adjourned at 2:02 P.M.

Mary Y. Jung
Secretary
Public Utilities Commission

Emily Rogers
Secretary
Department on the Environment



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

SPECIAL MEETING

March 25, 2003

2:00 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



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Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300, fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - a) Minutes of the March 11, 2003 Regular Meeting
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
 - a) Dean Coffey – In memoriam (Martel)
 - b) Lake Merced Update (Carlin)
 - c) Fuel Cell Grant Application to the Department of Energy (Smeloff)
8. Bay Area Water Users Association (BAWUA) General Manager's Report
 - a) BAWUA Update (Jensen)
9. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

10. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.
- a) Staff Recommendation: Approve the plans and specifications for CW-345, Tennessee Street BCDC Improvements and authorize the General Manager of Public Utilities to advertise for bids.
 - b) Staff Recommendation: Approve the plans and specifications for Contract No. WD-2422 Alameda Portals Valve Upgrades and authorize the General Manager of Public Utilities to advertise for bids.
 - c) Staff Recommendation: Accept work performed for Contract No. WD-2360, Irvington Portal Improvements, for a final contract amount of \$362,358.19 and authorize final payment of \$55,532.89 to Mitchell Engineering.
 - d) Staff Recommendation: Accept work performed for Contract No. WD-2363, Lower Crystal Springs Dam Energy Dissipater, for a final contract amount of \$289,314.43 and authorize final payment of \$29,095.72 to JMB Construction.

REGULAR BUSINESS

11. Discussion and possible action related to Mr. Dean Coffey. (Martel)

Staff Recommendation: Approve resolution commemorating and honoring the life and achievements of Mr. Dean Coffey, former General Manager of Hetch Hetchy Water & Power and Acting General Manager of the San Francisco Public Utilities Commission.

12. Discussion and possible action related to initial funding for implementation of the Capital Improvement Program. (Berry)

Staff Recommendation: Authorize appropriation of \$66.1 million to begin implementation of forty-seven (47) specific projects identified in the Capital Improvement Program for the water system approved by the Public Utilities Commission in May 2002.

13. Discussion and possible action related to supplemental appropriation of \$1 million to fund staff positions for implementation of the Capital Improvement Program. (Berry)

Staff Recommendation: Approve supplemental appropriation of \$1 million to fund forty-four (44) new staff positions and related necessary costs to implement the Capital Improvement Program. The funding requested is for one month.

14. Discussion and possible action related to amending FY 2003-2004 Operating Budget. (Berry)

Staff Recommendation: Authorize the General Manager of Public Utilities to amend the SFPUC FY 2003-2004 Operating Budget by adding positions and non-personnel services to support the Capital Improvement Program.

15. Discussion and possible action related to re-appropriation of capital funds to FY 2003-2004 Repair and Replacement and Capital Programs. (Berry)

Staff Recommendation: Approve the de-obligation of \$31,698,000 from existing Water Enterprise Capital Projects to fund the FY 2003-2004 SFPUC Repair and Replacement and Capital Programs and recommend to the Mayor and the Board of Supervisors a supplemental appropriation to re-appropriate capital funds to specific projects.

16. Discussion and possible action related to Water Enterprise's commercial paper program. (Berry)

Staff Recommendation: Approve resolution urging the Board of Supervisors to authorize the reinstatement of the Water Enterprise's commercial paper program in an amount not to exceed \$250 million. Further, authorize the General Manager of Public Utilities to take any and all necessary action to expeditiously reinstate the commercial paper program.

17. Discussion and possible action related to funding and reimbursement of the Water Enterprise Capital Improvement Program. (Berry)

Staff Recommendation: Approve SFPUC to spend available funds on projects associated with the Water Enterprise Capital Improvement Program with the intent of reimbursing itself with proceeds from the future sale of Water Enterprise debt.

18. Discussion and possible action related to use of induction lighting. (Jurosek)

Staff Recommendation: Adopt policy to allow the use of induction lighting as an alternative to high-pressure sodium vapor lighting in certain circumstances.

CONSTRUCTION CONTRACTS

Award

19. Discussion and possible action related to Contract No. CW-263R. (Maiolini)

Staff Recommendation: Award Contract No. CW-263R, SEWPCC Interim Gravity Belt Thickener (GBT) Facility, in the amount of \$3,625,000, to NCCI, Inc.

Close

20. Discussion and possible action related to Contract No. WD-2354. (Maiolini)

Staff Recommendation: Accept work performed for Contract No. WD-2354, San Pedro Valve Lot Improvements; approve Modification No. 1 (Final), for a time extension of 182 consecutive calendar days and a total contract duration of 512 consecutive calendar days, with a total contract amount of \$1,041,875.44; and authorize final payment of \$166,571.68 to Mitchell Engineering.

PROFESSIONAL SERVICE CONTRACTS

Award

21. Discussion and possible action related to Agreement No. CS-714. (Martel)

Staff Recommendation: Award professional services agreement to Red Oak Consulting to assist SFPUC staff in optimizing its management and operations policies, procedures, and work practices in alignment with the SFPUC's strategic goals, and authorize the General Manager of Public Utilities to negotiate and execute Agreement No. CS-714, Organizational Performance Assessment Services for an amount not to exceed \$1,000,000 and a duration of fifteen (15) months from the Notice to Proceed.

Amend

22. Discussion and possible action related to Design-Build Agreement CS-520. (Jurosek)

Staff Recommendation: Authorize the General Manager of Public Utilities to grant time extensions to Stewart and Stevenson (S&S) for Substantial Completion and Final Completion as defined in the Design-Build Agreement (DBA) CS-520 for a Digester Gas Cogeneration Facility at the Southeast Water Pollution Control Plant.

23. Discussion and possible action related to Agreement CS-658. (Arena)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute Amendment No. 2 to Agreement No. CS-658, Legislation Representation and Advocacy Services with the Palmetto Group, to increase the agreement by \$68,750 for a total budgeted amount not to exceed \$618,750, and extend the term for 3 additional months to July 30, 2003. Staff intends to issue Requests for Proposals and rebid this contract. The 3-month extension will provide for uninterrupted representation until a new contract is in place.

24. Discussion and possible action related to Pensety Contract. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a second amendment to the management consulting services contract with Pensety, LLC for work on the consolidation and move of SFPUC offices to 1155 Market Street. The contract amendment will increase the contract amount by \$125,000, from \$125,000 to \$250,000 and extend the contract date to December 31, 2003.

CLOSED SESSION

25. Public comments on matters to be discussed in Closed Session.
26. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

27. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Metricom, Inc. (United States Bankruptcy Court, Northern District of California, San Jose Division, Case No. 01-53291-ASW).

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

28. Announcement following Closed Session.
29. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

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March 25, 2003
2:00 P.M.
City Hall, Room 400
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BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 2:16 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Ashok K. Bhatt, Commissioner Ann Moller Caen, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello

3. Approval of Minutes

Moved by Vice President Bhatt, seconded by Commissioner Costello, to adopt the Minutes of the March 11, 2003 Regular Meeting; passed (5-0) unanimously.

4. Communications

No action taken.

5. Old/Ongoing Business by Commissioners

There was no discussion.

6. Introduction of New Business by Commissioners

There was no new business introduced.

7. Report of the General Manager

- a) Dean Coffey – In memoriam

Ms. Patricia E. Martel, General Manager of Public Utilities, honored Mr. Dean Coffey who died of cancer on March 11 at age 85. She gave tribute to his tremendous legacy with the SFPUC as General Manager of Hetch Hetch Water & Power (HHWP) and Acting General Manager of SFPUC. Mr. Coffey made improvements to the system and set a standard for the SFPUC staff to aspire to. She cited passages from a *Modesto Bee* article that highlighted his career and active civic life, and quoted Sgt. Glenn Roberts, "He was one of the last of a dying breed—always willing to do what he could for his community. He didn't look at himself as a big shot, but as someone who just wanted to give something back." She stated his example as a manager and active community member serves as inspiration for those in public service.

Ms. Martel stated today's resolution would be presented to Dean Coffey's survivors—his son, daughters, and grandchildren. She invited anyone present to speak on his behalf.

Mr. Andy Moran, retired HHWP and SFPUC General Manager, stated it was a pleasure to be present to honor the memory of Dean Coffey. He stated Mr. Coffey was an interesting and instructive manager, as he could see with clarity into the future and what that demanded of the organization. He credited Mr. Coffey with being personally responsible for a close working relationship with the National Park Service in helping protect the Yosemite watershed, being responsible for rejoining the Association of California Water Agencies after decades of maintaining a low profile and trying to stay out of the water industry, and being responsible for getting SFPUC involved in the California Urban Water Agencies. He stated Mr. Coffey was a creative and constructive force, had credibility in City Hall, and had a tremendous sense of history. He shared he was a great storyteller and that his person exuded a sense of coming from a simpler and more honest time. Mr. Moran also remembered Mr. Coffey's deceased wife Bernice to the Commission and spoke of the couple's long-term ties and contributions to the Moccasin community.

Ms. Martel recommended action on Item 11.

11. Discussion and possible action related to Mr. Dean Coffey.

Moved by President Normandy, seconded by Commissioner Costello to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0039: Approve resolution commemorating and honoring the life and achievements of Mr. Dean Coffey, former General Manager of Hetch Hetchy Water & Power and Acting General Manager of the San Francisco Public Utilities Commission.

President Normandy asked for a moment of silence in remembrance of Dean and Bernice Coffey.

b) Lake Merced Update

Mr. Michael Carlin, Bureau of Systems and Strategic Planning Manager, highlighted several items from his written executive summary.

SFPUC hired Mr. Greg Bartow, a certified California geologist, a certified engineering geologist, and a certified hydrogeologist, to start on April 14. He works for the California Regional Water Control Board for the San Francisco Bay Basin and is familiar with the Westside Basin issues. His experience and knowledge will enable him to take on the issues immediately.

Coordination with the Operations Department has been continuing regarding adding additional water to Lake Merced. The target date to add more water is the first week of April.

SFPUC will be having a 4-hour workshop on March 27 about the "Assessment of Environmental Impacts on Raising Water Level" and the "Conceptualization of the Lake Merced/Westside Groundwater Basin." Hydrology and environmental consultants will be present. The meeting will have a broad agenda, touching on other subjects of interest briefly, such as plans for recycled water and informational items.

SFPUC continues to work with Lake Merced Task Force as they reformulate their rules. They are moving forward and making progress in the process. He stated it would provide a great forum to talk about the things the SFPUC needs to achieve in regard to Lake Merced and the Westside Basin Aquifer.

Commissioner Costello stated he'd been advised that the progress at Lake Merced had slowed down because of a problem at the Tracy plant. He asked if this had been corrected and stated he thought the work done thus far was great and showed commitment. Mr. Carlin stated the progress had slowed down but should resume in a week or so.

Vice President Bhatt requested that the Lake Merced executive summary be sent to Supervisors Matt Gonzalez and Tony Hall. Ms. Martel stated she and Mr. Carlin met with Supervisor Hall yesterday on another item, but spoke of Lake Merced briefly. Supervisor Hall stated he was pleased with the progress being made at Lake Merced.

Commissioner Costello stated he attended a joint meeting with SFPUC and Recreation & Parks Department (RPD), noting he found it a constructive meeting as a resident of the neighborhood.

President Normandy suggested Mr. Carlin's executive summaries be shared not only with Board of Supervisors members, but also with other SFPUC stakeholders.

Ms. Martel apprised the Commission on two upcoming Local Area Formation Commission (LAFCO) hearings. (1) On March 28, there will be a LAFCO hearing on desalination. Supervisor Tony Hall, LAFCO member, was briefed on desalination, provided reading materials, and apprised about the early stages of a potential joint desalination project with East Bay Municipal Utilities District and Santa Clara Valley Water District. Supervisors Matt Gonzalez and Jake McGoldrick, LAFCO members, are to be briefed on the issue tomorrow. The purpose of the discussions is to apprise the supervisors about how SFPUC is involved with desalination, familiarize them with activities and to demonstrate leadership in the future should the opportunity arise to seek funding in Sacramento for desalination. (2) The LAFCO April meeting will be dedicated to recycled water. Supervisor Hall requested that SFPUC make a presentation on the potential recycled water program. On March 24, SFPUC had a meeting with RPD and the Department on the Environment to talk about the potential of a recycled water

project funded as part of the Capital Improvement Program (CIP). When the meeting date has been determined, the Commission will be informed.

c) Fuel Cell Grant Application to the Department of Energy

Mr. Ed Smeloff, Assistant General Manager of Power Policy, Planning and Resource Development, reported the SFPUC jointly submitted an application with the California Energy Commission, the Electric Power Research Institute, the Georgia Institute of Technology and several other utilities in response to the U.S. Department of Energy's (DOE) solicitation to test and demonstrate the availability and commercial viability of advanced fuel cell technology.

The San Francisco locations being considered for fuel cell testing are Treasure Island and Hunters Point Naval Shipyard, both of which are good test sites for demonstrating fuel cell usage in a constrained transmission area. The manufacturer, United Technologies of Connecticut, would provide the fuel cells for the project. The pieces of equipment are small with a footprint of 10x12 feet.

He stated commercial fuel cells are available. NASA has used them for decades and they have provided electricity on the shuttles. Fuel cells are like a battery except they have a continuous source of oxygen and hydrogen—oxygen from the atmosphere and hydrogen from reforming natural gas and stripping out the hydrogen. They are extremely clean, quiet and appropriate for urban applications. The only by-products of fuel cell electricity generation are sterile water and carbon dioxide if the source of hydrogen is from a hydrocarbon.

Mr. Smeloff stated SFPUC would be given ownership of the two 150-kilowatt fuel cells and would provide \$200,000 matching funds for their installation. The copartners are to contribute \$1.1 million. Electric Power Research Institute would direct the two-year testing program. When testing is completed, the equipment can be used however seen fit. Mr. Smeloff concluded that his presentation today was informational, but if the U.S. DOE awards the grant, he would present it as an action item in the future.

Ms. Martel concluded her report by informing the public that SFPUC had a press conference at the City Store in City Hall this morning. The purpose was to introduce "Hetch Hetchy Mountain Water," a bottled-water product marketed by SFPUC as a pilot project. Thus far, 31,000 bottles have been produced for City operations. It is available at City Stores in City Hall, the Beach Chalet and Fisherman's Wharf and at the Customer Service Office. The marketing plan should identify other City-controlled operations where Hetch Hetchy Mountain Water can replace other brands. Sales and marketing will achieve two goals: 1) demonstrate civic pride in the Hetch Hetchy water system, and 2) generate revenue from sales to fund SFPUC operations. Ms. Martel hoped to recommend to the Commission that revenue be used for the benefit of the ratepayers to offset potential rate increases and/or other expenditures.

President Normandy thanked Ms. Martel and staff for the successful launching of the bottled water pilot project. He thanked Paula Kehoe for all of her work on the project and for making the long-standing dream a reality. He thanked the Communications Department for getting all the media coverage.

8. Bay Area Water Users Association (BAWUA) General Manager's Report

a) BAWUA Update

Mr. Art Jensen, General Manager of BAWUA, congratulated SFPUC on the bottled water program.

Mr. Jensen reported the first meeting of the Regional Financing Authority would be on April 3. All representatives have been appointed to the authority with Ms. Monique Moyer representing the City & County of San Francisco (CCSF). BAWUA put together and distributed a briefing book for each member. It contains: an introduction describing the authority, some of the legislation and the authority's charge; a copy of the legislation; biographies of all of the members; excerpts from the CIP and Long-Range Financial Plan; a copy of the Bay Area Economic Forum study describing potential economic impacts; and some other materials. A briefing book was provided to each member of the Board of Directors. CD's of the briefing materials will be provided to others and to the managers of each organization.

The agenda for the first meeting is a mixture of half business and half presentations by BAWUA and SFPUC. State Senator Jackie Speier will administer the oath of office and Ms. Martel is on the agenda. The meeting will be introductory and provide an orientation. Mr. Jensen stated it is an open meeting and extended an invitation to the public. He stated for their part in the relationship, BAWUA would prepare to help finance improvements on the regional system if necessary, so that financing is not an issue.

The formation of the Bay Area Water Supply and Conservation Agency (BAWSCA) is proceeding. Legislation requires that each of the agencies have a public hearing and determine and act formally to form the agency and join it. The legislation requires that 15 of the 26 public agencies make the decision to form it with 60% of the agencies represented. As of last week, 22 of the members had their public hearings and voted to join, constituting 85% water user representation. The first BAWSCA meeting is expected in June.

President Normandy asked for a copy of the Regional Financing Authority materials for the Commissioners. Ms. Martel stated she would provide copies from her CD and include the list of the members with a weekly report.

9. Public Comments on matters not on today's agenda.

Ms. Carmi Johnson, Bureau of Water Pollution Control, presented a letter to the Commission regarding Civil Lawsuit 10904-SBA at the advice of City Attorney Michael Leon Guerrero. President Normandy stated the Commission was precluded from making any comments because legal action is involved.

Mr. Steve Zeltzer, Labor Video Project, was pleased to hear about Hetch Hetchy bottled water. He voiced concern and inquired if the workers who are bottling and distributing the water are unionized and have union rights as this had not been reported. Ms. Martel replied the current bottler for the first pilot run was an approved CCSF vendor.

CONSENT CALENDAR

10. Moved by Commissioner Caen, seconded by Commissioner Costello, to adopt the items (a-d) listed under the Consent Calendar; passed (5-0) unanimously.
 - a) Resolution No. 03-0040: Approve the plans and specifications for CW-345, Tennessee Street BCDC Improvements and authorize the General Manager of Public Utilities to advertise for bids.
 - b) Resolution No. 03-0041: Approve the plans and specifications for Contract No. WD-2422 Alameda Portals Valve Upgrades and authorize the General Manager of Public Utilities to advertise for bids.
 - c) Resolution No. 03-0042: Accept work performed for Contract No. WD-2300, Irvington Portal Improvements, for a final contract amount of \$362,358.19 and authorize final payment of \$55,532.89 to Mitchell Engineering.
 - d) Resolution No. 03-0043: Accept work performed for Contract No. WD-2363, Lower Crystal Springs Dam Energy Dissipater, for a final contract amount of \$289,314.43 and authorize final payment of \$29,095.72 to JMB Construction.

REGULAR CALENDAR

President Normandy announced that Item 19 was pulled from the agenda.

- 12 Discussion and possible action related to initial funding for implementation of the Capital Improvement Program.

Ms. Martel stated the SFPUC given a mandate by the voters to proceed immediately with improving the reliability of the water delivery system. The voters

approved \$1.6 billion for implementing the CIP, which was previously approved by the Commission in May 2002. This has been a high priority for SFPUC since the beginning of 2003. Prior to approval, the Commission directed Ms. Martel to identify funding to do preliminary planning for the CIP pending the outcome of the November election. SFPUC has moved forward with preliminary planning and other activities and made significant progress.

In addition to the voter mandate, there have been legislative mandates from San Francisco and Sacramento. SB 1870 established the Regional Financing Authority and AB 1823 laid out a schedule for completing the CIP and the means to implement the program. AB 1823 included reporting requirements that place urgency on the SFPUC to demonstrate progress in fulfillment of the CIP. The first progress report to the California Legislature will be made in September 2003. Ms. Martel expressed hope that the funding being requested today for several CIP items would be approved by the Commission and supported by the Board of Supervisors to move ahead immediately with the CIP implementation and that the September report demonstrate significant progress.

Ms. Martel addressed the serious downturn in the economy and the huge deficit facing City government with potential job layoffs throughout the City. SFPUC would need to fill positions to move forward with the CIP. Hiring staff laid off from other City departments is of importance. She commented the private sector needs to get people working and to produce jobs to spur the San Francisco and Bay Area economy. External segments of the labor force that would potentially be employed in the CIP, such as consultants, construction companies, etc., are awaiting RFP's and be able to move forward with work.

Since last year, available SFPUC funds were appropriated and used to move forward with implementing some of the preliminary planning and engineering work to move CIP forward. This resulted in revising the schedule and moving some projects up. Several Measure A-funded projects have been scheduled to begin September 2003 instead of fall 2004. Identifying other potential projects to move up in the schedule is being investigated.

Ms. Martel stated additional funding is needed at this time in order to move full speed ahead with implementation of the CIP. Funding is needed to hire new CIP staff positions as well as support staff for the CIP. Funding is also needed for projects, specifically to commence planning, environmental review, design and engineering.

Ms. Martel stated, in order to move forward with the process, it required the Commission to take several different actions. The first action was appropriate \$66.1 million to fund 47 projects and provide necessary financing costs through FY 2003. The second action was approval of a supplemental appropriation requesting \$1 million to fund 44 positions and the necessary costs to implement the CIP. The third action was to increase the annual Water Enterprise operating budget by \$7.2

million to reflect an increase of 24 positions and related positions identified as necessary to support the CIP implementation. The fourth action was a reallocation of CIP funds between various projects to provide funds for Repair and Replacement. The fifth action was a reinstatement of the commercial paper program. The sixth action was allowing SFPUC to spend funds on Water Enterprise Capital Improvement projects.

Ms. Martel concluded her overview of the necessary approvals to implement the CIP and asked for approval of item 12. She stated Mr. William Berry, Assistant General Manager of Business Services, would present the other CIP items in detail.

Commissioner Caen asked about the vast differences in the dates on Attachment 2 and why the projects that were moved up took precedence. Ms. Karen Kubick, CIP Program Manager, stated Attachment 2 detailed all the projects moving forward immediately in the CIP to get started on the environmental review and planning efforts. Construction dates would not change. She stated it was good news that 44 jobs moved up and that the planning could get started on the projects. She stated that the program currently was ahead of schedule on the local jobs, as they tend to be quick with short environmental review cycles. Attachment 2 reflected all those changes.

Commissioner Caen inquired about the funding for the 24 positions under the third bullet on page 2 and if they were to come out of the CIP. Mr. Berry stated some of the positions are allocated to capital projects and some of them are operational. SFPUC has IT positions that are needed to support the CIP, but they wouldn't be charged directly to capital projects—only those positions that are being used directly in the CIP would be allocated directly to CIP.

Commissioner Bhatt asked if the \$4.8 million for interest and financing costs was too high. Mr. Berry stated it was a conservative estimate.

Commissioner Chen asked if the AB 1823 reporting requirements were just for the regional projects or for all projects. Ms. Martel stated the report would document all the CIP projects.

President Normandy urged the Commissioners to support all the CIP-related resolutions presented by staff in the interest of moving forward quickly with the voter-mandated CIP. He called for public comment.

Mr. Jensen complimented the SFPUC on the comprehensive package of CIP agenda items presented and gave credit to Ms. Martel and staff for their work.

Moved by Commissioner Caen, seconded by Vice President Bhatt to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0044: Authorize appropriation of \$66.1 million to begin implementation of forty-seven (47) specific projects identified in the Capital Improvement Program for the water system approved by the Public Utilities Commission in May 2002.

President Normandy proposed taking the vote on items 13-17 together as discussion of the items was presented in Ms. Martel's overview. The Commissioners agreed.

Items 13-17: Moved by Commissioner Costello, seconded by Commissioner Bhatt to adopt the following resolutions; passed (5-0) unanimously.

13. Discussion and possible action related to supplemental appropriation of \$1 million to fund staff positions for implementation of the Capital Improvement Program.

Resolution No. 03-0045: Approve supplemental appropriation of \$1 million to fund forty-four (44) new staff positions and related necessary costs to implement the Capital Improvement Program. The funding requested is for one month.

14. Discussion and possible action related to amending FY 2003-2004 Operating Budget

Resolution No. 03-0046: Authorize the General Manager of Public Utilities to amend the SFPUC FY 2003-2004 Operating Budget by adding positions and non-personnel services to support the Capital Improvement Program.

15. Discussion and possible action related to re-appropriation of capital funds to FY 2003-2004 Repair and Replacement and Capital Programs.

Resolution No. 03-0047: Approve the de-obligation of \$31,698,000 from existing Water Enterprise Capital Projects to fund the FY 2003-2004 SFPUC Repair and Replacement and Capital Programs and recommend to the Mayor and the Board of Supervisors a supplemental appropriation to re-appropriate capital funds to specific projects.

16. Discussion and possible action related to Water Enterprise's commercial paper program.

Resolution No. 03-0048: Approve resolution urging the Board of Supervisors to authorize the reinstatement of the Water Enterprise's commercial paper program in an amount not to

exceed \$250 million. Further, authorize the General Manager of Public Utilities to take any and all necessary action to expeditiously reinstate the commercial paper program.

17. Discussion and possible action related to funding and reimbursement of the Water Enterprise Capital Improvement Program.

Resolution No. 03-0049: Approve SFPUC to spend available funds on projects associated with the Water Enterprise Capital Improvement Program with the intent of reimbursing itself with proceeds from the future sale of Water Enterprise debt.

18. Discussion and possible action related to use of induction lighting.

Moved by Commissioner Costello, seconded by Commissioner Caen to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0050: Adopt policy to allow the use of induction lighting as an alternative to high-pressure sodium vapor lighting in certain circumstances.

President Normandy urged pursuing this endeavor as it fits in with the overall energy package and management program of Ms. Martel and Mr. Smeloff.

CONSTRUCTION CONTRACTS

Award

Item 19 was pulled from the calendar.

19. Discussion and possible action related to Contract No. CW-263R.

Staff Recommendation: Award Contract No. CW-263R, SEWPCP Interim Gravity Belt Thickener (GBT) Facility, in the amount of \$3,625,000, to NCCI, Inc.

Close

20. Discussion and possible action related to Contract No. WD-2354.

Moved by Commissioner Bhatt, seconded by Commissioner Chen to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0051: Accept work performed for Contract No. WD-2354, San Pedro Valve Lot Improvements; approve Modification No. 1 (Final), for a time extension of 182 consecutive calendar days and a total contract duration of 512 consecutive calendar days, with a total contract amount of \$1,041,875.44; and authorize final payment of \$166,571.68 to Mitchell Engineering.

PROFESSIONAL SERVICE CONTRACTS

Award

21. Discussion and possible action related to Agreement No. CS-714.

Ms. Laura Spanjian, Special Projects Manager, stated conducting an organizational performance assessment would be connected to successfully implementing the CIP. She presented the Commission with a handout regarding the goals and approach of the assessment and offered to submit quarterly updates during the 15-month assessment.

Commissioner Costello inquired when the agreement would start. Ms. Spanjian stated if it were approved today, it would start today.

Commissioner Caen inquired what type of contract Red Oak is currently under. Ms. Spanjian stated Red Oak was not under any contract at present for this specific project, but that they have other contracts with SFPUC. Ms. Martel clarified that for the March 21 meeting, she had used a Red Oak consultant to assist with team-building efforts and that it was entirely separate from this item. She stated the principals involved in leading the performance assessment would be different individuals.

Commissioner Caen recalled the Commission had discussed a performance assessment in the past and decided to do it in segments. She commented that the item was presented in a different form than what had been decided previously.

President Normandy stated, as a result of the March 21 meeting, he was in favor of moving expeditiously on the item rather than doing it in segments as previously decided.

Ms. Martel stated she understood Commissioner Caen's comment. She recalled the decision to start with the first phase and funding it through available SFPUC funds. However, the City's contracting process did not allow for this, which resulted in the Commission being presented with an RFP process. When the request to approve advertising was made, there was discussion about funding the assessment on a phase basis. It is the intent to implement the program in phases and in groupings by department, bureau, and division. At the completion of each

phase, the findings and preliminary recommendations would be provided. At the completion of the 15-month assessment, an overview of the entire performance assessment would be given. The funding is being requested in order to award a contract.

Commissioner Caen stated she could accept this, but requested that the language be put in the resolution.

Ms. Spanjian stated there was language in the agenda item that could be put in the resolution clarifying that it would be done in four phases, starting with Regional Water System, followed by the Local Water System, Planning and Engineering, and ending with the General Manager's Office and Business Services.

President Normandy asked if Commissioner Caen could accept that and suggested including "the estimated cost of services is \$1 million and shall be expended in four phases per the attached."

Commissioner Caen stated that was fine, but she wanted "with a report to the Commission after every phase" to be added as well.

President Normandy clarified the resolution would be amended to insert language regarding the expenditures and total amount, that it would be done in four phases per Ms. Spanjian's documents, and that there would be a report at the end of each phase.

Moved by Commissioner Caen, seconded by Commissioner Costello to adopt the following resolution as amended; passed (5-0) unanimously.

Resolution No. 03-0053: Award professional services agreement to Red Oak Consulting to assist SFPUC staff in optimizing its management and operations policies, procedures, and work practices in alignment with the SFPUC's strategic goals, and authorize the General Manager of Public Utilities to negotiate and execute Agreement No. CS-714, Organizational Performance Assessment Services for an amount not to exceed \$1,000,000 and a duration of fifteen (15) months from the Notice to Proceed.

Amend

22. Discussion and possible action related to Design-Build Agreement CS-520.

Moved by Commissioner Chen, seconded by Commissioner Caen to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0053: Authorize the General Manager of Public Utilities to grant time extensions to Stewart and Stevenson (S&S) for Substantial Completion and Final Completion as defined in the Design-Build Agreement (DBA) CS-520 for a Digester Gas Cogeneration Facility at the Southeast Water Pollution Control Plant.

23. Discussion and possible action related to Agreement CS-658.

Moved by Vice President Bhatt, seconded by Commissioner Costello to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0054: Authorize the General Manager of Public Utilities to execute Amendment No. 2 to Agreement No. CS-658, Legislation Representation and Advocacy Services with the Palmetto Group, to increase the agreement by \$68,750 for a total budgeted amount not to exceed \$618,750, and extend the term for 3 additional months to July 30, 2003. Staff intends to issue Requests for Proposals and rebid this contract. The 3-month extension will provide for uninterrupted representation until a new contract is in place.

24. Discussion and possible action related to Pensety Contract.

Moved by Commissioner Costello, seconded by Commissioner Caen to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0055: Authorize the General Manager of Public Utilities to execute a second amendment to the management consulting services contract with Pensety, LLC for work on the consolidation and move of SFPUC offices to 1155 Market Street. The contract amendment will increase the contract amount by \$125,000, from \$125,000 to \$250,000 and extend the contract date to December 31, 2003.

CLOSED SESSION

25. Public comments on matters to be discussed in Closed Session.

There were none.

26. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Costello, seconded by Commissioner Chen, to assert the attorney-client privilege; passed (5-0) unanimously.

The Public Utilities Commission met in Closed Session at 3:45 P.M. to discuss the following matters:

27. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Existing Litigation: Metricom, Inc. (United States Bankruptcy Court, Northern District of California, San Jose Division, Case No. 01-53291-ASW).

Moved by Commissioner Chen, seconded by Vice President Bhatt to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0056

Following the Closed Session, the Commission reconvened in open session at 3:53 P.M.

28. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

29. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Bhatt, seconded by Commissioner Chen, not to disclose the discussions during Closed Session; passed (5-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 3:54 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

AGENDA

REGULAR MEETING

April 8, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

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COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300, fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - a) Minutes of the March 25, 2003 Special Joint Meeting with Department on the Environment
 - b) Minutes of the March 25, 2003 Special Meeting
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager (Martel)
 - a) Regional Financing Authority Meeting Report
 - b) Sacramento Legislative Update
 - c) Environmental Water Caucus Report
8. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

9. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.
- a) Staff Recommendation: Approve the plans and specifications for Contract No. CW-344 WPCD Trailer Truck Weighing Scale and authorize the General Manager of Public Utilities to advertise for bids.
 - b) Staff Recommendation: Approve the plans and specifications for Contract No. WD-2402, Millbrae Administration Building Heating, Ventilation and Air Conditioning (HVAC) Upgrades and authorize the General Manager of Public Utilities to advertise for bids.
 - c) Staff Recommendation: Accept work performed for Contract No. CW-292, Broderick/Steiner/Webster/Laguna Streets Sewer Replacement, approve Modification No. 1 (Final) increasing the contract by \$9,923.00, for a total contract amount of \$405,868.00, and authorize final payment of \$56,249.09 to Harty Pipelines, Inc.
 - d) Staff Recommendation: Ratify the Declaration of Emergency made by the General Manager of Public Utilities, dated March 19, 2003, and approved by the President of the Commission, replacing a minimum of two ruptured pipe sections and confirming the condition of the remaining pipe (WD-2448E).

REGULAR BUSINESS

10. Discussion and possible action related to Hetch Hetchy Capital Project. (Hollenbacher)

Staff Recommendation: Appropriate \$2,666,667 from an escrow account described herein and create a Hetch Hetchy Capital Project to account for costs related to developing, acquiring, constructing and operating a generating facility using four LM 6000 Gas Turbine Generator sets in the City (the "Development Costs"). Funds deposited in an escrow account by the Attorney General of the State of California will be applied to the Hetchy capital project appropriation to cover the Development Costs. Also, authorize payment of those Development Costs, as further described, with funds after appropriation.

11. Discussion and possible action related to Emergency/Maintenance Water System Intertie Project. (Carlin)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute (1) a Joint Exercise of Powers Agreement (JPA) between SFPUC and East Bay Municipal Utilities District (EBMUD) and City of Hayward (Hayward) to Pursue the Design Services and Construction (D&C) for an Emergency/Maintenance Water System Intertie Project and (2) a Joint Exercise of Powers Agreement between SFPUC, EBMUD and Hayward for Long Term Operation and Maintenance (O&M) of the Emergency/Maintenance Water System Intertie Project.

CONSTRUCTION CONTRACTS

Award

12. Discussion and possible action related to Contract No. WD-2391. (Maiolini)

Staff Recommendation: Award Contract No. WD-2391, Lane Street Pump Station Upgrade, in the amount of \$1,202,000 to Millard Tong Construction.

Close

13. Discussion and possible action related to Contract No. WD-2347. (Maiolini)

Staff Recommendation: Accept work performed for Contract No. WD-2347, Pulgas Valve Lot Upgrade, approve Modification No. 5 (Final), increasing the contract by \$312,891.71, for a total contract amount of \$1,776,850.57, and with a time extension of 206 consecutive calendar days for a total contract duration of 446 consecutive calendar days, and authorize final payment of \$421,959.24 to Mitchell Engineering.

PROFESSIONAL SERVICE CONTRACTS

Advertise

14. Discussion and possible action related to legislative representation and advocacy services. (Arena)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for legislative representation and advocacy services for the General Manager's Office, receive proposals for said professional services agreement, conduct a selection process to identify the best qualified consulting firm to provide/assist Government Affairs staff with/in legislative representation and advocacy services, and return to the Commission for approval to negotiate and execute a professional services agreement.

The General Manager seeks permission to advertise for two (2) weeks in the Washington Post (weekend edition), two (2) weeks in Roll Call (a weekly political periodical), and one (1) week in the SF Independent.

Amend

15. Discussion and possible action related to Agreement No. CS-524. (Maiolini)

Staff Recommendation: Approve Amendment No. 2 to Agreement No. CS-524, Program Management Contract, changing the designated consultant's title, name references, and setting the criteria for the payment of performance fees; and forward the Agreement to the Board of Supervisors, with a recommendation to approve the continuation of the remainder of the third year contract and release reserved funds.

CLOSED SESSION

16. Public comments on matters to be discussed in Closed Session.
17. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

18. Threat to Public Services or Facilities (Government Code Section 54957): (Clayton)

Consultation with: Sheriff Michael Hennessey concerning security of SFPUC Water and Power Systems.
19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Claim of Farmers Insurance Company, as subrogee for Yuk Wah Shung, Claim No. 03-02368.
20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Leon Guerrero)

Existing Litigation: Carmi L. Johnson v. City and County of San Francisco, United States District Court No. C01-0904 SBA.
21. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property: City of South San Francisco, at the corner of El Camino Real and Chestnut Ave., approximately 8+ acres.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

22. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property: City of Fremont, between Canyon Heights Rd. and Deer Rd. near Niles Canyon, approximately 7.5 acres.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

23. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property: City of Mt. View, running between Whisman Rd., approximately 7 acres adjacent to pipeline r/w.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

24. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property: City of Sunnyvale, located off Manzano Way, .75-acre site adjacent to pipeline r/w.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

25. Conference with Labor Negotiator pursuant to Government Code Section 54957.6. (Clayton)

Name and title of City's negotiator: E. Dennis Normandy, SFPUC President
Individual contract with the General Manager, Public Utilities Commission
Pursuant to Charter section 8B.126
All terms and conditions

26. Conference with Labor Negotiator pursuant to Government Code Section 54957.6. (Clayton)

Name and title of City's negotiator: Patricia E. Martel, General Manager
Individual contract with the Assistant General Manager for Infrastructure,
Public Utilities Commission
Pursuant to Charter section 8B.126
All terms and conditions



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

MINUTES

April 8, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

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COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:38 P.M.
2. Roll Call: Present – President E. Dennis Normandy, Vice President Ashok K. Bhatt, Commissioner Ann Moller Caen, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello
3. Approval of Minutes

Moved by Vice President Bhatt, seconded by Commissioner Costello, to adopt the Minutes of the March 25, 2003 Special Joint Meeting with Department on the Environment and the Minutes of the March 25, 2003 Special Meeting; passed (5-0) unanimously.

4. Communications

Commissioner Chen asked how many Residential Users Appeals Board (RUAB) members there were.

Ms. Patricia E. Martel, General Manager of Public Utilities, stated there were two as of March 28th. RUAB member John Buckley resigned on that day through a written letter of resignation. Ms. Martel responded with a letter acknowledging his resignation and thanking him for his service to RUAB and to the City.

President Normandy asked for a report to the Commission by the next meeting about corrective measures to be taken regarding the complaints and concerns stated in Mr. Buckley's resignation letter. President Normandy voiced concern that this was not the first time RUAB matters have been raised at a Commission meeting.

Ms. Martel stated the Manager of Customer Service, whose staff provides support for RUAB, has been under a directive to prepare a set of policies and procedures to improve a number of issues that were raised in Mr. Buckley's letter and also communicated to the General Manager by RUAB Member Mr. Nate Ratner and former member Mr. Robert Lee. That report to the Commission was due from the manager in May, but she stated she would investigate expediting it for the next meeting.

5. Old/Ongoing Business by Commissioners

Vice President Bhatt inquired about the progress on groundwater and the project discussed several months before.

Mr. Michael Carlin, Manager of Bureau of Systems & Strategic Planning, stated progress with Semitropic Water District was in the due diligence phase regarding storing water in their groundwater basin and transferring it in dry years. Technical issues of groundwater development and liability issues associated with arsenic have been studied and are coming to closure. Contracting issues are being reviewed at and have been outlined because a series of contracts would be required to get the water back through Semitropic into SFPUC's system. As a final phase, the costs of storage, withdrawal, wheeling, treatment, and associated ancillary costs are being put together now to get a true picture of what the water would cost. The project has been presented to the risk management committee to understand what it means from a risk standpoint at SFPUC. SFPUC will meet with Semitropic at the Aqua Conference the first week of May to start going over the details of due diligence and working out a deal.

Ms. Martel mentioned SFPUC has had some discussions with current contractors with Semitropic about the possibility of being able to share some of their current allocation.

Mr. Carlin stated there are many participants in Semitropic storage in the Bay Area, including Alameda County Water District and Santa Clara Valley Water District. SFPUC has had discussions with one of the parties regarding the potential for sharing some of their already existing storage and filling it with SFPUC water and working out a trade. The discussions were preliminary, but are open for continuation in the interest of dry-year supply.

Commissioner Caen inquired on the status of Hetch Hetchy bottled water sales.

Ms. Martel said sales have been going well. The City Store in City Hall has reported brisk sales and Customer Service has sold 20 cases.

6. Introduction of New Business by Commissioners

There was no new business introduced.

7. Report of the General Manager

Ms. Martel preceded her report announcing she had received information at noon about a gas main break in the vicinity of Main & Howard Streets where a water contractor struck a gas main. A one-square block was evacuated. All emergency services and an investigator from the City Attorney's office were contacted.

a) Regional Financing Authority Meeting Report

Ms. Martel stated the first meeting of the Regional Financing Authority (RFA) was on April 3. The RFA, created under Senator Jackie Speier's SB 1870, allows SFPUC wholesale customers to potentially issue bonds in support of their two-

thirds share of the cost of the Capital Improvement Program (CIP). At the meeting, 27 directors were sworn in by Senator Speier. Following the swearing in, she gave them each a bottle of Hetch Hetchy Mountain Water. She offered positive comments about the RFA and the SFPUC coming together to fund the CIP.

Mr. Art Jensen, General Manager of Bay Area Water Users Association (BAWUA), provided an overview of the origin of the RFA and the creation of a Regional Planning Authority and how the two will work together. Ms. Martel gave a presentation on the CIP, including an overview of the program, an update on its implementation, risks alleviated with the program, and a brief overview of the financing structure to fund the program.

The agenda also included a briefing by the financial advisors brought in by BAWUA. They discussed some of the potential decisions the RFA may be called upon to make as the CIP moves forward. They discussed that both Propositions A and E were approved giving more flexibility for financing the program. The options available for SFPUC to fund the entire program were discussed with the RFA. The financial advisors detailed what that would mean for the RFA and what potential action the authority may or may not elect to take to fund the program.

The meeting concluded with questions. It was understood that at the next RFA meeting projected for June, there would be further discussion on all the various decision-making considerations. The financial advisors and SFPUC staff will continue to provide detailed information to the RFA as it undertakes its responsibilities.

The first order of business was to elect a Chair for the RFA. The members elected Mr. Ira Ruski, City Councilmember from Redwood City. He also chairs BAWUA and will chair the new Bay Area Water Supply and Conservation Agency.

b) Sacramento Legislative Update

Ms. Martel apprised the Commission that she went to Sacramento on April 2 to meet with several legislators regarding AB 1051. Assemblywoman Jackie Goldberg of Los Angeles authored the legislation. AB 1051 was recently introduced and SFPUC is in the process of trying to generate support from members of the Assembly. The legislation is related to capital facilities fees which is part of the Government Code. It is hoped that AB 1051 will clarify that capital projects that are included in water rates are not considered capital facilities fees. A number of educational institutions are taking the position that they do not have to pay for capital projects that are part of the normal routine of water utility maintenance. SFPUC is currently involved in litigation with UC related to this issue. The purpose of the visit was to meet with local and Los Angeles representatives to indicate an interest to work together and provide a resolution to an issue that has been a problem for water utilities throughout the state. The meetings that were held were positive. Progress on the issue will be reported.

c) Environmental Water Caucus Report

Ms. Martel reported a meeting was held last week with the Environmental Water Caucus (EWC). The organization is made up of representatives from a number of SFPUC environmental stakeholders. The meeting discussed the implementation of the CIP and how the EWC could provide input. The environmental process was discussed focusing on the requirements for completing environmental impact studies for projects, potential environmental mitigation resulting from the CIP, and similar topics. Discussion also addressed regionalism and working collectively with agencies throughout the Bay Area on environmental matters related to water utilities. The emphasis throughout the discussion was SFPUC's desire to work with the environmental groups in order to expedite the environmental process and begin actual construction on capital projects.

Ms. Martel voiced the importance of establishing an openness in working with the environmental groups and accepting and incorporating their input. Discussion included that it has been an ongoing activity for SFPUC to work with environmental groups in funding fisheries and with environmental mitigation. This was discussed to emphasize it has been the practice of the SFPUC and will continue to be.

President Normandy noted that Restore Hetch Hetchy (RHH) is a member of EWC. He suggested using EWC as a vehicle to convey information that a study has already been done for what RHH is proposing, and that if SFPUC did what RHH proposes, there would be negative environmental and financial impacts. *He requested Ms. Martel and staff appropriately disseminate information.*

Ms. Martel clarified that at this recent meeting, there was no representative from RHH, although there has been in the past. She stated for the record, that SFPUC's position with RHH and other supporters of their proposal, including Environmental Defense, is to assist in whatever way requested to provide information about the Hetch Hetchy system operation for any type of feasibility study or proposal. Furthermore, she stated SFPUC's position is that the ratepayers of the Hetch Hetchy system should not fund such a proposal or feasibility study.

President Normandy referred to James MacLachlan's memorandum in the correspondence packet with an item on the CIP. He voiced concern about a 45-day time limit set for the Project Labor Agreement in Supervisor Gavin Newsom's resolution. He felt the time limit was unrealistic and would present difficulties with the timetable. *President Normandy requested staff present a more realistic timetable to Supervisor Newsom.*

Ms. Martel reported two more items not listed on her report. 1) Within the last week and a half, action was taken to suspend tours of the watershed as a security measure during the current state of war. The suspension is not intended to be long term. 2) On April 7, the Program Management Bureau staff relocated from their Stevenson offices to 1155 Market Street. The staff of Program Management and

Program Controls reside on the 6th floor and the administrative office for the Bureau is on the 9th floor. This marked the first phase of staff relocation to SFPUC headquarters at 1155 Market Street. Over the next several months, staff will be moving from a variety of locations to 1155 Market Street.

President Normandy responded to the suspension of tours by requesting staff consider raising the level of the SFPUC security policy. He felt the agency should react to national and high alerts with automatic shutdowns of watershed tours and facilities with public access. He did not ask for immediate action realizing it needed to be factored into the overall security plan. President Normandy requested a policy recommendation for the Commission to vote on.

8. Public Comments on matters not on today's agenda.

Ms. Anita Labossiere, SFPUC Water Quality employee, brought a retirement issue before the Commission regarding paying off a deficit, deductions from her paycheck and a dispute with the Retirement Department regarding her contract.

President Normandy thanked Ms. Labossiere for her memorandum and testimony, and stated the Commission did not have the authority to grant her request. *He referred the matter to the General Manager and asked that staff look into the matter and advise the Commission on the outcome.*

CONSENT CALENDAR

9. Moved by Commissioner Costello, seconded by Commissioner Caen, to adopt the items (a-d) listed under the Consent Calendar; passed (5-0) unanimously.

- a) Resolution No. 03-0057: Approve the plans and specifications for Contract No. CW-344 WPCD Trailer Truck Weighing Scale and authorize the General Manager of Public Utilities to advertise for bids.
- b) Resolution No. 03-0058: Approve the plans and specifications for Contract No. WD-2402, Millbrae Administration Building Heating, Ventilation and Air Conditioning (HVAC) Upgrades and authorize the General Manager of Public Utilities to advertise for bids.
- c) Resolution No. 03-0059: Accept work performed for Contract No. CW-292, Broderick/Steiner/Webster/Laguna Streets Sewer Replacement, approve Modification No. 1 (Final) increasing the contract by \$9,923.00, for a total contract amount of \$405,868.00, and authorize final payment of \$56,249.09 to Harty Pipelines, Inc.

- d) Resolution No. 03-0060: Ratify the Declaration of Emergency made by the General Manager of Public Utilities, dated March 19, 2003, and approved by the President of the Commission, replacing a minimum of two ruptured pipe sections and confirming the condition of the remaining pipe (WD-2448E).

REGULAR CALENDAR

10. Discussion and possible action related to Hetch Hetchy Capital Project.

Mr. Ralph Hollenbacher, Power Plant Development Manager, stated Hetch Hetchy Water & Power (HHWP) is working on the development of four gas turbines received from the State of California in a settlement with Williams Companies. Williams Companies is to provide the four turbines and the development funding for their installation. The project's purpose is to enhance the City's electric reliability and facilitate the shutdown of the Hunters Point power plant. The first funds from the settlement are currently in escrow. HHWP would like to have the funds budgeted to start development of the power projects. HHWP foresees these funds and the 2004-05 funds will all be required for this task.

Vice President Bhatt asked about the inspection and reliability reports for the turbines and how long the turbines would be useful. Mr. Hollenbacher stated the combustion turbines are new, unused, in storage, and have the manufacturer's full warranty.

Vice President Bhatt inquired if the system is outdated as technology changes so quickly. Mr. Hollenbacher stated the turbines are state-of-the-art technology for power generation, a well-proven technology and have no technology risk. He stated the challenge would be interconnecting the turbines onto the system and determining their placement to achieve the maximum benefits for the City. HHWP is working with the Independent System Operator and PG&E on that aspect. System impact studies are being conducted to simulate the new equipment on the system and to see how the system works under various situations. The results are expected in 4-6 weeks.

Vice President Bhatt asked about the warranty and liability. Mr. Hollenbacher stated Williams has paid to have the new equipment extended to mid-2005. If the turbines were not installed by that time, HHWP would probably have to pay to extend the new equipment warranty. When the turbines start operating, they would be operating under the terms of new equipment warranty, which is the same warranty as if they came off the assembly line today.

Commissioner Chen asked if there were estimates for the total development costs to install all four turbines. He understood the total settlement was \$13.266 million and wondered if it would require more than that.

Mr. Hollenbacher stated it would depend on how much was put into development funds and how the project is viewed. One of the considerations is if there would be one or two sites. The community has given feedback that they would prefer two sites. However, two sites would double the development and permitting costs. Another consideration is time. To do it as fast as possible to meet the 2005 schedule would drive up the cost. A 12-month permitting process would cost more than an expedited 6-month process. Costs would increase with lengthening the process and with more public intervention in the process. He stated it is difficult to know costs when the complexity of the project and the level of public intervention/support are unknown. He stated HHWP is trying to conserve on development costs by making some components project and construction costs. He stated he wouldn't be surprised if the first three years of funding from the escrow account were spent.

President Normandy asked if the statement in the packet, "The City is still entitled to receive reimbursement for approved development costs in the event of the termination of the power purchase agreement...." meant reimbursement of approved costs or expended costs. Mr. Hollenbacher stated it meant expended cost.

Moved by Commissioner Chen, seconded by Commissioner Costello to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0061: Appropriate \$2,666,667 from an escrow account described herein and create a Hetch Hetchy Capital Project to account for costs related to developing, acquiring, constructing and operating a generating facility using four LM 6000 Gas Turbine Generator sets in the City (the "Development Costs"). Funds deposited in an escrow account by the Attorney General of the State of California will be applied to the Hetchy capital project appropriation to cover the Development Costs. Also, authorize payment of those Development Costs, as further described, with funds after appropriation.

11. Discussion and possible action related to Emergency/Maintenance Water System Intertie Project.

Moved by Vice President Bhatt, seconded by Commissioner Caen to adopt the following resolution; passed (5-0) unanimously.

Resolution No.03-0062: Authorize the General Manager of Public Utilities to execute (1) a Joint Exercise of Powers Agreement (JPA) between SFPUC and East Bay Municipal Utilities District (EBMUD) and City of Hayward (Hayward) to Pursue the Design Services and

Construction (D&C) for an Emergency/ Maintenance Water System Intertie Project and (2) a Joint Exercise of Powers Agreement between SFPUC, EBMUD and Hayward for Long Term Operation and Maintenance (O&M) of the Emergency/Maintenance Water System Intertie Project.

CONSTRUCTION CONTRACTS

Award

12. Discussion and possible action related to Contract No. WD-2391.

Moved by Commissioner Caen, seconded by Commissioner Chen to adopt the following resolution; passed (5-0) unanimously.

Resolution No.03-0063: Award Contract No. WD-2391, Lane Street Pump Station Upgrade, in the amount of \$1,202,000 to Millard Tong Construction.

Close

13. Discussion and possible action related to Contract No. WD-2347.

Moved by Vice President Bhatt, seconded by Commissioner Costello to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0064: Accept work performed for Contract No. WD-2347, Pulgas Valve Lot Upgrade, approve Modification No. 5 (Final), increasing the contract by \$312,891.71, for a total contract amount of \$1,776,850.57, and with a time extension of 206 consecutive calendar days for a total contract duration of 446 consecutive calendar days, and authorize final payment of \$421,959.24 to Mitchell Engineering.

PROFESSIONAL SERVICE CONTRACTS

Advertise

14. Discussion and possible action related to legislative representation and advocacy services.

Mr. Carlin stated the item was to advertise for a federal legislative advocate in Washington, D.C. in a number of different publications.

President Normandy recalled the Commission put forth the idea for legislative representation in the past when they felt that they were not being reported to adequately about Washington, D.C. developments. He stated in the interim the Commission has received sufficient quantity and quality reports about the work being done by the current firms. He asked if it was necessary to move forward with this Request for Proposal (RFP).

Mr. Carlin stated SFPUC was following through on the Commission's direction laid out in the original approval of the contract. The existing contract can no longer be extended and the process is required. Individuals or firms that respond to the RFP will be evaluated and a selection of the most qualified representation will be made.

Ms. Martel stated she was pleased the Commission received the reports from the Washington, D.C. representative in a positive way. She further stated this particular RFP is necessary because the contract has been extended beyond its expiration and it is necessary to go out with a new RFP. She stated the services received from the current representative have been outstanding and it is hoped that they would remain competitive in the RFP process.

President Normandy was glad Ms. Martel made her statement for the record. He stated it would be good to proceed with the required process in a way that could save time and money.

Moved by Commissioner Costello, seconded by Commissioner Caen to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0065: Authorize the General Manager of Public Utilities to advertise and request proposals for legislative representation and advocacy services for the General Manager's Office, receive proposals for said professional services agreement, conduct a selection process to identify the best qualified consulting firm to provide/assist Government Affairs staff with/in legislative representation and advocacy services, and return to the Commission for approval to negotiate and execute a professional services agreement.

The General Manager seeks permission to advertise for two (2) weeks in the Washington Post (weekend edition), two (2) weeks in Roll Call (a weekly political periodical), and one (1) week in the SF Independent.

Amend

15. Discussion and possible action related to Agreement No. CS-524.

Mr. Surinderjeet Bajwa, Project Manager for Program Management Contract, stated the item clarifies language regarding the consultant and that the performance fee is subject to the approval of the Commission and the Board of Supervisors (BOS).

President Normandy asked why it had taken this amount of time to move this resolution forward, given that the Commission approved transferring the contract from one entity to another in June 2003. Mr. Bajwa stated the reasons pertained to HRC compliance requirements and addressing details in the contract to have concurrence between all parties before presenting it to the Commission.

Ms. Martel stated when the documentation was brought forward in June to transition the Bechtel agreement to the Water Infrastructure Partners (WIP), there were pending items. The 12B compliance needed to be completed. Also during the time period, approval on the third-year funding agreement was pending. The funding still has not yet been approved. While going to the Finance Committee to secure the third-year funding, the performance fee issue was raised. The BOS strongly encouraged completing these changes immediately.

President Normandy said he wanted this stated for the record as he didn't want the Commission or staff to be criticized for the delay. *He requested staff present a status report with suggestions on how the Commission and its staff can put the contract on a faster track as it is in the interest of everyone to move the contract forward as quickly as possible.* Ms. Martel agreed to bring the information back to the Commission.

Moved by Commissioner Caen, seconded by Vice President Bhatt to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0066: Approve Amendment No. 2 to Agreement No. CS-524, Program Management Contract, changing the designated consultant's title, name references, and setting the criteria for the payment of performance fees; and forward the Agreement to the Board of Supervisors, with a recommendation to approve the continuation of the remainder of the third year contract and release reserved funds.

CLOSED SESSION

16. Public comments on matters to be discussed in Closed Session.

There were none.

17. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Chen, seconded by Vice President Bhatt, to assert the attorney-client privilege; passed (5-0) unanimously.

President Normandy called for a 10-minute recess after the Regular Session at 2:34 P.M.

The Public Utilities Commission met in Closed Session at 2:49 P.M. to discuss the following matters:

18. Threat to Public Services or Facilities (Government Code Section 54957):
(Clayton)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Acting Assistant General Manager of Operations Cheryl Davis, SFPUC Program Manager of Water Supply & Treatment Paul Mazza, SFPUC Emergency Planning Coordinator John Rodgers, Sheriff Deputy John Caramucci, Sheriff Deputy John Lazatan, and Lawrence Livermore National Laboratory Project Manager Richard Woodward.

Consultation with: Sheriff Michael Hennessey concerning security of SFPUC Water and Power Systems.

No action was taken.

19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, Legal Counsel Vicki Clayton and Commission Secretary Mary Y. Jung.

Existing Litigation: Claim of Farmers Insurance Company, as subrogee for Yuk Wah Shung, Claim No. 03-02368.

Moved by Commissioner Caen, seconded by Commissioner Chen to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0067

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Leon Guerrero)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E.

Martel, Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Human Resources Manager Therese Madden, and Deputy City Attorney Michael Leon Guerrero.

Existing Litigation: Carmi L. Johnson v. City and County of San Francisco,
United States District Court No. C01-0904 SBA.

Moved by Commissioner Chen, seconded by Commissioner Costello to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 03-0068

21. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Manager Gary Dowd, and Bruce Lymburn – Wendel, Rosen, Black and Dean Attorney's at Law.

Property: City of South San Francisco, at the corner of El Camino
Real and Chestnut Ave., approximately 8+ acres.

Parties Negotiating: Dowd/Lymburn

Under Negotiation: Terms and conditions

No action was taken.

22. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Manager Gary Dowd, and Bruce Lymburn – Wendel, Rosen, Black and Dean Attorney's at Law.

Property: City of Fremont, between Canyon Heights Rd. and Deer
Rd. near Niles Canyon, approximately 7.5 acres.

Parties Negotiating: Dowd/Lymburn

Under Negotiation: Terms and conditions

No action was taken.

23. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)
Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Manager Gary Dowd, and Bruce Lymburn – Wendel, Rosen, Black and Dean Attorney's at Law.

Property: City of Mt. View, running between Whisman Rd.,
approximately 7 acres adjacent to pipeline r/w.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

No action was taken.

24. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Manager Gary Dowd, and Bruce Lymburn – Wendel, Rosen, Black and Dean Attorney's at Law.

Property: City of Sunnyvale, located off Manzano Way, .75-acre site
adjacent to pipeline r/w.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

No action was taken.

25. Conference with Labor Negotiator pursuant to Government Code Section 54957.6. (Clayton)

Name and title of City's negotiator: E. Dennis Normandy, SFPUC President
Individual contract with the General Manager, Public Utilities Commission
Pursuant to Charter section 8B.126
All terms and conditions

Nothing was discussed.

26. Conference with Labor Negotiator pursuant to Government Code Section 54957.6.
(Clayton)

Name and title of City's negotiator: Patricia E. Martel, General Manager
Individual contract with the Assistant General Manager for Infrastructure,
Public Utilities Commission
Pursuant to Charter section 8B.126
All terms and conditions

Nothing was discussed.

Following the Closed Session, the Commission reconvened in open session at 3:42 P.M.

27. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

28. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Bhatt, seconded by Commissioner Commissioner Costello, not to disclose the discussions during Closed Session; passed (5-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 3:43 P.M.

Mary Y. Jung
Secretary



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

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Willie L. Brown, Jr.
MAYOR

AGENDA

REGULAR MEETING

April 22, 2003
1:30 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300, fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - a) Minutes of the March 21, 2003 Special Meeting
 - b) Minutes of the April 8, 2203 Regular Meeting
4. Communications
5. Old/Ongoing Business by Commissioners
6. Introduction of New Business by Commissioners
7. Report of the General Manager
 - a) Western Urban Water Coalition Meeting Report (Martel)
 - b) Lake Merced Update (Carlin)
 - c) Safety Program Presentation (Jones)
 - d) Proposition P Bond Oversight Committee Update (Martel)
8. Bay Area Water Users Association (BAWUA) General Manager's Report
 - a) BAWUA Update (Jensen)
9. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 4th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-0796.

CONSENT CALENDAR

10. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.
 - a) Staff Recommendation: Approve the plans and specifications for Contract No. CW-277, Chestnut/Octavia/Broadway Streets Sewer Replacement, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
 - b) Staff Recommendation: Approve the plans and specifications for Contract No. CW-314, Outfall Repairs at Various Locations, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
 - c) Staff Recommendation: Approve the plans and specifications for Contract No. CW-343, Oceanside Water Pollution Control Primary Switch, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
 - d) Staff Recommendation: Approve the plans and specifications for Contract No. WD-2380, 48-Inch Steel Pipeline Replacement in Alemany Blvd. and 24-Inch Ductile Iron Main Replacement in Teresita Blvd., and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.

REGULAR BUSINESS

11. Discussion and possible action related to Regional Desalination Project. (Carlin)

Staff Recommendation: Authorize the General Manager of Public Utilities to negotiate and execute a Memorandum of Understanding between East Bay Municipal Utilities District, Santa Clara Valley Water District and SFPUC to conduct a pre-feasibility study for a Regional Desalination Project.

12. Discussion and possible action related to setting public hearing date on rate adjustments for water services. (Laws)

Staff Recommendation: Designate Tuesday May 27, 2003 at 1:30 p.m. in City Hall, Room 400, 1 Dr. Carlton B. Goodlett Place, San Francisco as the date, time and place for a public hearing to be conducted by the San Francisco Public Utilities Commission for the purpose of considering proposed adjustments to the rates for water service provided by the Water Enterprise and the miscellaneous fees charged.

LEASES AND PERMITS

13. Discussion and possible action related to a Revocable Permit to the City of Santa Clara. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a Revocable Permit to the City of Santa Clara, for a portion of SFPUC land, consisting of approximately 800 +/- square feet to be utilized as part of a public pedestrian/bicycle trail in the City of Santa Clara.

14. Discussion and possible action related to Deer Road Right of Way Extension Agreement. (Dowd)

Staff Recommendation: Modify the Deer Road Right of Way Extension Agreement previously approved by the SFPUC by way of Resolution No. 01-0064 on March 13, 2001 and authorize a direct payment to George Emmett in the amount of \$21,500.00 in lieu of staff services.

CONSTRUCTION CONTRACTS

Close

15. Discussion and possible action related to Contract No. WD-2230. (Maiolini)

Staff Recommendation: Accept work performed for Contract No. WD-2230, Calaveras Potassium Permanganate Facility, approve Modification No. 2 (Final), extending the contract by 156 consecutive calendar days for total contract duration of 456 consecutive calendar days, and with a total contract amount of \$1,745,361.78.

PROFESSIONAL SERVICE CONTRACTS

Advertise

16. Discussion and possible action related to State legislative representation and advocacy services. (Arena)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for State legislative representation and advocacy services for the General Manager's Office, receive proposals for said professional services agreement, conduct a selection process to identify the best qualified consulting firm to provide/assist Government Affairs staff with/in State legislative representation and advocacy services, and return to the Commission for approval to negotiate and execute a professional services agreement.

The General Manager seeks permission to advertise for three (3) weeks in the Sacramento Bee (weekend edition), and one (1) week in the SF Independent.

CLOSED SESSION

17. Public comments on matters to be discussed in Closed Session.
18. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS
THE FOLLOWING ITEMS:

19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clayton)

Existing Litigation: Thomas W. Westwood v. City and County of San Francisco,
Claim No. 02-02408.

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a):
(Clements)

Existing Litigation: Los Angeles Department of Water & Power ex rel Armenta v.
James Jones Co., Los Angeles Superior Court, No. BC 173-487.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL
RECONVENE IN PUBLIC SESSION.

21. Announcement following Closed Session.
22. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

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MINUTES

April 22, 2003
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Ashok Kumar Bhatt, Vice President
The Honorable Ann Moller Caen
The Honorable Jeffrey A. Chen
The Honorable Robert J. Costello

DEPARTMENTS

Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS

Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY



ORDER OF BUSINESS:

1. Call to Order: 1:36 P.M.
2. Roll Call: Present – Vice President Ashok K. Bhatt, Commissioner Ann Moller Caen, Commissioner Jeffrey A. Chen, Commissioner Robert J. Costello

Excused - President E. Dennis Normandy

Vice President Bhatt officiated the meeting in President Normandy's absence.

3. Approval of Minutes

Moved by Commissioner Caen, seconded by Commissioner Costello, to adopt the Minutes of the April 8, 2003 Regular Meeting; passed (4-0) unanimously.

4. Communications

Commissioner Chen, in response to the General Manager's letter to Supervisor Matt Gonzalez, inquired if there was a list of appointees for the Rate Fairness Board (RFB). Ms. Patricia E. Martel, General Manager of Public Utilities, replied that the Board of Supervisors (BOS) appointees for the RFB had not yet been identified. She understood the Mayor had identified 1-2 appointees. Ms. Martel's letter was sent in an effort to move the task forward and get the positions filled by May 15th as indicated in her letter.

Commissioner Chen asked if the City Administrator was the only member to date. Ms. Martel stated the City Administrator was on the RFB as well as several other City officials, who have been identified. Only the appointees have not been identified.

5. Old/Ongoing Business by Commissioners

Commissioner Caen requested the General Manager fax a weekly Friday update to each of the Commissioners apprising them on what is under consideration.

Vice President Bhatt asked if a response to the Residential Users Appeals Board (RUAB) complaints would be available today. Ms. Martel stated that Mr. Nate Ratner, RUAB member, met with staff today to discuss issues that had been raised. The Assistant General Manager for Business Services informed Ms. Martel a report would be prepared outlining the discussion, conclusions and recommendations from the meeting and would be provided as soon as it is available.

6. Introduction of New Business by Commissioners

There was no new business introduced.

7. Report of the General Manager

a) Western Urban Water Coalition Meeting Report

Ms. Martel reported she went to Washington, D.C. to attend the spring meeting of the Western Urban Water Coalition (WUWC). It was her first opportunity to attend a WUWC meeting and served as an introduction to the group. The members are from major water utilities from the Bay Area and throughout the West. The meeting addressed the subcommittee activities since October and each member presented a report. Ms. Martel reported on the success of the November water bond, progress made on the implementation of the Capital Improvement Program (CIP) and regional efforts with East Bay Municipal Utilities Department and Santa Clara Valley Water District.

While in Washington, D.C., Ms. Martel and Mr. Michael Carlin, Manager of Strategic and Systems Planning, had several other meetings arranged by Darryl Owens, SFPUC Federal Lobbyist. They met with Congresswoman Nancy Pelosi to discuss the CIP. They discussed funding staff positions in federal agencies to expedite the permit process for the CIP which would require legislative action. Ms. Martel stated she and SFPUC representatives were there to speak with Congresswoman Pelosi about the possibility of her sponsoring a measure that would enable SFPUC to fund staff from Army Corps of Engineers, U.S. Fish and Wildlife and National Marine Fisheries. Congresswoman Pelosi was encouraging about doing this and suggested working with Congressman George Miller and cosponsoring legislation, as some of the work would be in his district.

They also met with a senior policy advisor for the Senate Committee on Environment and Public Works and with the staff director for the House Subcommittee for Water Resources Environment to talk about how to legislate to fund some staff positions. They had a follow-up meeting with a Special Assistant to the Assistant Secretary for Water and Science, Mr. Bennett Raley. A letter was delivered to Mr. Raley that outlined responses to questions he had previously raised.

Ms. Martel stated the Washington, D.C. scheduled meetings have proven helpful and are laying a good foundation to get support in Washington, D.C. and in particular with the federal regulatory agencies to help expedite the CIP.

Ms. Martel took the General Manager's Report out of order and reported on 7d.

d) Proposition P Bond Oversight Committee Update

Ms. Martel stated since the last Commission meeting the Rules Committee of the BOS had a hearing with several candidates that had applied for the Proposition P

Bond Oversight Committee (PPBOC). The Rules Committee recommended the appointment of Mr. Brian Brown, an economist and former member of the Mayor's Infrastructure Task Force. They also recommended Mr. David Sutter, former SFPUC and Muni employee, who has a solid engineering and construction background. These individuals will be recommended to the full BOS. If they are appointed, the BOS will have completed their appointments to PPBOC. The Mayor completed his appointments with Ms. Amy Brown and Ms. Lizbeth Sunshine. The City Controller will sit on the committee as will a Representative of the Budget Analyst, Mr. Allen Gibson. The Bay Area Water Users Association will also have a representative on the Committee.

b) Lake Merced Update

Mr. Michael Carlin, Bureau of Strategic and Systems Planning Manager, apprised the Commission on several Lake Merced activities.

Water was added to the lake and was completed to meet the April 15 deadline. Mr. Carlin referred to his executive summary in the communication packet regarding permission to continue adding water to the lake during the April 15 through the fall period, which wasn't covered in the environmental document. He stated permission has been sought from the state agency and the environmental group to see if additions through the summer period could continue.

A public meeting on the Westside Groundwater Basin Lake-Aquifer System was held on March 27 with a group of experts discussing what was learned on the hydrology since the shutdowns at Lake Merced, Daly City, South San Francisco and San Bruno. From that meeting, more technical information is being prepared and will be presented to the Lake Merced Task Force on July 9. Additional information is being prepared to present to the public.

Mr. Carlin reported the Groundwater Master Plan is being updated and will be brought to the Commission's attention in the near future as it relates to Lake Merced and the other City-owned facilities on the West side.

Commissioner Caen inquired if the water that had been added has been maintained in the lake. Mr. Carlin stated that some of the water seeps slowly into the groundwater basin and some of it evaporates. Currently, all the perimeter wells around Lake Merced are being monitored to see if the water levels are rising in the wells. The lake level is also being monitored to ascertain the evaporation rate. He noted that concurrently the wells are being monitored at Daly City, which is 80% shut down, and at South San Francisco and San Bruno, which are completely shut down. This data will provide a comprehensive picture of the Westside Basin.

Commissioner Caen asked if anything had been learned from the monitoring to date. Mr. Carlin stated it has been observed over a long period of time, that the water levels were rising in the aquifer. For a complete picture, the deep wells,

shallow wells, and Lake Merced levels need to be looked at together. Monitoring devices are also located at Pine Lake and Golden Gate Park where data is being collected. This will give the picture for the entire Westside Basin from Golden Gate Park down to the San Francisco Airport.

Commissioner Costello asked what would happen if the two agencies didn't agree to the extension. Mr. Carlin stated if they didn't agree to continue adding water after April 15, SFPUC would request clarification for the reason and might prepare the proper environmental documents to take the action. He stated their decision would not deter SFPUC from exploring other opportunities of adding water to the lake.

c) Safety Program Presentation

Ms. Carolyn Jones, Health and Safety Program Manager, gave a "Safety Program Presentation" on health and safety hazards SFPUC employees face. The presentation covered the goals, the challenges, injury rates and their related costs, and the programs and initiatives the department has in place to address the health and safety challenges.

Commissioner Caen commented on the information about "145 injuries resulting in 5300 days of absence," stating it constitutes about 15 years and was a lot of time. Ms. Jones agreed it was a lot of time and stated she had analyzed how the time broke down. Most injuries had short periods of time off of 1-2 weeks, if they had time off at all. There were a few injuries that had a long time off of 6 months or more. The long ones were the ones that add up to the total number of days. To meet the goal of reducing time off work, SFPUC is working with Human Resources on a program to bring employees back on modified-duty assignments so that workers are not off work.

8. Bay Area Water Users Association (BAWUA) General Manager's Report

a) BAWUA Update

Mr. Art Jensen, General Manager of BAWUA, gave a status report on BAWUA activities.

The Regional Financing Authority has been formed and had their first meeting on April 3. The meeting was both successful and informative. The Chair is Mr. Ira Ruskin from Redwood City and the Vice Chair is Mr. Mike Kasperzak from Mountain View.

The formation of the Bay Area Water Supply and Conservation Agency (BAWSCA) is underway. The last of the 26 public agencies acted to form and join the agency. The process is scheduled to go to the San Mateo County Board of Supervisors on May 13. The item will continue to the Secretary of State for confirmation of the

agency. BAWSCA's first meeting is anticipated for late June. Members will receive information regarding their formation, what the entity has the authority to do, what its charge will be, and what policy issues are anticipated in conjunction with SFPUC's work. A copy of the materials will be provided to the Commission when complete.

BAWUA has been considering candidates for PPBOC. Their board discussed a candidate at their April meeting, but the individual could not invest the time and commitment for the position. The matter will be considered at the board's next meeting on May 1. When a decision is made, the General Manager and Commission will be informed.

9. Public Comments on matters not on today's agenda.

Reverend P.T. Mammen, Pastor of New Life Church of the Nazarene, came before the Commission 3-4 years ago regarding a water issue at his church at 300 Ulloa. The church is situated near a mountain slide area that underwent corrective work. At the time, the Water Department disconnected their water service and put them on an alternative connection. The church continues with alternative service and wants to resolve the issue. Rev. Mammen's efforts to pursue the matter with staff originally handling it have been unsuccessful; therefore, he came before the Commission for assistance.

Vice President Bhatt suggested that the General Manager look into the matter.

Ms. Martel requested Paula Kehoe, Executive Assistant to the General Manager, meet with Rev. Mammen to get the necessary information to be able to follow up on all the details and get him a response as soon as possible.

Rev. Mammen stated he was going on sabbatical in a few weeks. He offered to share all the documents and communications he had in his possession.

CONSENT CALENDAR

10. Moved by Commissioner Costello, seconded by Commissioner Chen, to adopt the items (a-d) listed under the Consent Calendar; passed (4-0) unanimously.

- a) Resolution No. 03-0069: Approve the plans and specifications for Contract No. CW-277, Chestnut/Octavia/Broadway Streets Sewer Replacement, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
- b) Resolution No. 03-0070: Approve the plans and specifications for Contract No. CW-314, Outfall Repairs at Various Locations,

and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.

- c) Resolution No. 03-0071: Approve the plans and specifications for Contract No. CW-343, Oceanside Water Pollution Control Primary Switch, and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.
- d) Resolution No. 03-0072: Approve the plans and specifications for Contract No. WD-2380, 48-Inch Steel Pipeline Replacement in Alemany Blvd. and 24-Inch Ductile Iron Main Replacement in Teresita Blvd., and authorize the General Manager of Public Utilities to advertise, receive and evaluate bids.

REGULAR CALENDAR

11. Discussion and possible action related to Regional Desalination Project.

Mr. Carlin stated SFPUC was forming a partnership with East Bay Municipal Utilities Department and Santa Clara Valley Water District to explore the possibility of desalination in the San Francisco Bay Area. The partnership came from discussions revealing the three agencies were pursuing similar feasibility studies. The Memorandum of Understanding (MOU) would allow SFPUC to pay a portion of the cost to fund a pre-feasibility study.

Commissioner Chen asked when the final report would be finalized if the MOU were approved today. Mr. Carlin stated the proposal and solicitation processes and the selection of a contractor had been completed. At present, a contract is being negotiated. It is hoped there would be a report by summer.

Moved by Commissioner Caen, seconded by Commissioner Chen to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0073: Authorize the General Manager of Public Utilities to negotiate and execute a Memorandum of Understanding between East Bay Municipal Utilities District, Santa Clara Valley Water District and SFPUC to conduct a pre-feasibility study for a Regional Desalination Project.

12. Discussion and possible action related to setting public hearing date on rate adjustments for water services.

Mr. William Laws, Financial Services Rate Administrator, stated the item would designate the regular meeting on May 27 for a public hearing on the water rates to be charged by the Water Enterprise for the coming fiscal year. He stated sewer service charges would come at a later date.

Commissioner Chen inquired if the rate study would be completed by May 27. Mr. Laws stated the water rate study would not be completed, but explained the water rates are still under Proposition H. He stated it was a change in the suburban resale rate being presented at the May 27 meeting, not a retail rate change.

Commissioner Costello asked about upgrading the sewer rates and if they were related to a proposition. Mr. Laws stated that Proposition E, approved by the voters in November, rescinded Proposition H with respect to sewer service charges. For this reason, the sewer charges will be brought forward at a later date, at which time there should be preliminary results from the independent rate study.

Moved by Commissioner Costello, seconded by Commissioner Caen to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0074: Designate Tuesday May 27, 2003 at 1:30 p.m. in City Hall, Room 400, 1 Dr. Carlton B. Goodlett Place, San Francisco as the date, time and place for a public hearing to be conducted by the San Francisco Public Utilities Commission for the purpose of considering proposed adjustments to the rates for water service provided by the Water Enterprise and the miscellaneous fees charged.

LEASES AND PERMITS

13. Discussion and possible action related to a Revocable Permit to the City of Santa Clara.

Moved by Commissioner Caen, seconded by Commissioner Chen to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0075: Authorize the General Manager of Public Utilities to execute a Revocable Permit to the City of Santa Clara, for a portion of SFPUC land, consisting of approximately 800 +/- square feet to be utilized as part of a public pedestrian/bicycle trail in the City of Santa Clara.

14. Discussion and possible action related to Deer Road Right of Way Extension Agreement.

Commissioner Caen asked for an explanation of the item. Ms. Martel stated the item provides a secondary access to the Old Niles Reservoir and would provide for Mr. Emmett's needs and access rights to his property. Improvements to the access road have not been completed. Mr. Emmett requested that he be allowed to perform the work himself at no additional cost to SFPUC.

Commissioner Caen inquired for whom the work is a benefit. Ms. Martel stated the access road would be a shared benefit.

Mr. Maiolini further explained there was a tunnel under Mr. Emmett's property that SFPUC was going to fill with concrete slurry. The work was started, but Mr. Emmett asked that the work be stopped when design engineers told him that if the tunnel was filled, he wouldn't be able to build a house or develop on his property.

Commissioner Caen asked if it would be a detriment to SFPUC if he didn't fill the tunnel. Mr. Maiolini and Ms. Martel stated it would not be a detriment.

Ms. Vicki Clayton, Legal Counsel, stated it was her understanding that the agreement would be modified to reflect the requirement on the part of the landowner to remove the tunnel and SFPUC's requirement to pay him for that and that SFPUC would be indemnified for any liability having to do with not removing the tunnel and filling it with slurry.

Moved by Commissioner Costello, seconded by Commissioner Chen to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0076: Modify the Deer Road Right of Way Extension Agreement previously approved by the SFPUC by way of Resolution No. 01-0064 on March 13, 2001 and authorize a direct payment to George Emmett in the amount of \$21,500.00 in lieu of staff services.

CONSTRUCTION CONTRACTS

Close

15. Discussion and possible action related to Contract No. WD-2230.

Commissioner Costello asked who the contractor was. Mr. Maiolini stated it was Proven Management

Commissioner Caen asked why the contract was being extended. Mr. Maiolini stated it was due to having two contracts in close proximity—one being the Sunol Valley Treatment Plant Improvements contract and the other being the Calaveras contract. To test for potassium permanganate, the Sunol Plant had to be in a normal operation mode. During the summer, the Sunol Plant was being tested and

its systems were brought on board. For this reason, the potassium permanganate couldn't be tested at Calaveras. In addition, for chemical reasons, potassium permanganate does not test well during the winter.

Moved by Commissioner Caen, seconded by Commissioner Chen to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0077: Accept work performed for Contract No. WD-2230, Calaveras Potassium Permanganate Facility, approve Modification No. 2 (Final), extending the contract by 156 consecutive calendar days for total contract duration of 456 consecutive calendar days, and with a total contract amount of \$1,745,361.78.

PROFESSIONAL SERVICE CONTRACTS

Advertise

16. Discussion and possible action related to State legislative representation and advocacy services.

Ms. Suzanne Arena, Manager for Government Affairs, stated the item is to advertise for state lobbying services to represent the SFPUC in Sacramento, as approved for the 2003-2004 budget. As it is a new service, a generous schedule was provided to give firms adequate time to register as City vendors. Three weeks were allotted for advertising and six weeks for the submission of proposals. With the extended schedule, it is hoped many qualified candidates will apply.

Public Comment:

Mr. Emeric Kalman, City resident, stated he didn't hear an explanation for why the SFPUC needs to spend money on advocacy services in Sacramento, being that there is a State office in the City. He commented it might be wasting money. He asked how much the new budget item would cost and how much had been spent during the last two years for advocacy services in Washington, D.C. He asked what the benefit was of the Washington, D.C. service and what the benefit of the State service would be.

Vice President Bhatt stated the Commission appreciated Mr. Kalman's efforts as a public advocate and his interest in how SFPUC spends its money. He stated it is important for SFPUC to lobby in Sacramento and Washington, D.C. to bring awareness to the agency's issues and that it is an important means to soliciting funds for the SFPUC.

Ms. Martel stated the agreement, as stated in the staff report, called for an estimated cost of services not to exceed \$150,000 a year.

Moved by Commissioner Chen, seconded by Commissioner Caen to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0078: Authorize the General Manager of Public Utilities to advertise and request proposals for State legislative representation and advocacy services for the General Manager's Office, receive proposals for said professional services agreement, conduct a selection process to identify the best qualified consulting firm to provide/assist Government Affairs staff with/in State legislative representation and advocacy services, and return to the Commission for approval to negotiate and execute a professional services agreement.

The General Manager seeks permission to advertise for three (3) weeks in the Sacramento Bee (weekend edition), and one (1) week in the SF Independent.

CLOSED SESSION

17. Public comments on matters to be discussed in Closed Session.

There were none.

18. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Costello, seconded by Commissioner Chen, to assert the attorney-client privilege; passed (4-0) unanimously.

Vice President Bhatt called for a 5-minute recess at 2:35 P.M.

The Public Utilities Commission met in Closed Session at 2:47 P.M. to discuss the following matters:

19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, and Deputy City Attorney Owen Clements.

Existing Litigation: Thomas W. Westwood v. City and County of San Francisco, Claim No. 02-02408.

Moved by Commissioner Caen, seconded by Commissioner Chen to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0079

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clements)

Present were Vice President Bhatt, Commissioner Caen, Commissioner Chen, Commissioner Costello, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, and Deputy City Attorney Owen Clements.

Existing Litigation: Los Angeles Department of Water & Power ex rel Armenta v. James Jones Co., Los Angeles Superior Court, No. BC 173-487.

Moved by Commissioner Costello, seconded by Commissioner Chen to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 03-0080

Following the Closed Session, the Commission reconvened in open session at 2:52 P.M.

21. Announcement following Closed Session.

Vice President Bhatt announced the actions taken during Closed Session.

22. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Commissioner Costello; seconded by Commissioner Chen, not to disclose the discussions during Closed Session; passed (4-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 2:53 P.M.

Mary Y. Jung
Secretary

